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PUBLIC MEETING

before

ASSEMBLY INDEPENDENT AND REGIONAL AUTHORITIES COMMITTEE

Testimony concerning the proposed toll increase by the
New Jersey Highway Authority on the Garden State Parkway

December 21, 1987
Room 403
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman William "Pat" Schuber, Chairman
Assemblyman Guy F. Muziani, Vice Chairman
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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MEMORANDUM

December 14, 1987

TO: MEMBERS OF THE ASSEMBLY INDEPENDENT AND REGIONAL
AUTHORITIES COMMITTEE

FROM: ASSEMBLYMAN WILLIAM P. SCHUBER, CHAIRMAN

SUBJECT: COMMITTEE MEETING - MONDAY, DECEMBER 21, 1987

(Comments or questions can be addressed to Edward Westreich, Aide to the Committee, at (609) 984-7381.)

The Assembly Independent and Regional Authorities Committee will meet on Monday, December 21, 1987 at 10:00 a.m. in Room 403, State House Annex, Trenton, to continue taking testimony concerning the proposed toll increase by the New Jersey Highway Authority on the Garden State Parkway.

The following people have been requested to testify:

- 1) Public Advocate
- 2) Fox and Fox
- 3) United Taxpayers of New Jersey

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mjz: 1-79

ASSEMBLYMAN WILLIAM "PAT" SCHUBER (Chairman): Let me call this meeting to order. Ladies and gentlemen, this is the second of a series of meetings being held by the Assembly Independent and Regional Authorities Committee, to review the issue of the proposed toll hike increase being proposed by the New Jersey Highway Authority, which operates the Garden State Parkway.

As I indicated at our first meeting, there are two issues the Committee is reviewing, as a result of the authority granted to it by the Assembly. The paramount issue, of course, is the question of whether a toll hike increase is necessary or warranted by the evidence the Authority can adduce for this Committee, and for the Legislature. And secondly, the procedures that the Authority utilized in arriving at its decision to seek a toll hike increase of 50 cents. Our testimony as a result of the last meeting, and what we hope to introduce today, will be aimed at both of those issues.

I would indicate at this point, that this will probably be, in my opinion, our last meeting with regard to this issue. We will be prepared to make a report and a legislative resolution, probably at the beginning of January. Obviously, we have to do it before January 12, and I think we will be prepared to do that. For the members' benefit, I would ask them, as a result of the testimony today and other information they may have gathered, if they would please submit their written recommendations to the Aide to the Committee, so that we can prepare a full report and resolution for the General Assembly with regard to this important issue before we go out of session on January 12.

I would indicate that regardless of what we do, and regardless of what we recommend, this Committee, to the extent that I have anything to do with it, will be looking into the issue in a broader sense -- in the sense of the independence of the Highway Authority in the next decade; that is, in fact,

based on what we see today, but also based on some information we were gathering during the latter part of this year. We wish to begin a series of hearings which will question the very nature of the independence of the Highway Authority and its relationship to the overall State transportation plan for the State of New Jersey, and the fact of whether the original underpinnings for their enactment are still true today as they were then, or is there a need for a change in the way they are constituted. That, I think, is something we will see as a result of the meetings that have taken place, regardless of what happens with regard to the toll increase.

I think there are serious questions I have as to whether all of our highway authorities are in any way, shape, or form interacting in their plans and proposals, and how they meet and mesh with what is the overall plan for roads and transportation in this State that may be being developed by the Department of Transportation.

I recognize that there are different approaches by which that can be coordinated, but I think it is time that we look at the whole issue of how that can be done, because right now, the only person who is getting hurt in this thing is the taxpayer -- the residents of our State. There does not appear, from what I can see, to be any coordination at all between any of the authorities as to what they do and the relationship of what they do to each other and the Department of Transportation and the State as a whole. I am not so sure in this day and age that we can allow that to continue. So that will be an order of priority for this Committee in the new term.

With that, I would indicate to you, the members, that the witnesses today will be Mr. Martin S. Fox, Fox and Fox, the General Counsel for the New Jersey Highway Authority, who will answer questions with regard to the issue of the minutes that were taken during the course of time, as he was the individual who was responsible for that. I believe we will also have Mr.

Samuel Perelli, of the United Taxpayers of New Jersey, who will testify with regard to their position relative to the toll increase. Is Mr. Perelli here?

UNIDENTIFIED SPEAKER FROM AUDIENCE: Not yet.

ASSEMBLYMAN SCHUBER: Not yet. Commissioner Julian K. Robinson, Treasurer of the New Jersey Highway Authority, will be here later on in the morning. He had a previous meeting this morning, but he will be here later. He will answer questions with regard to how he views the Authority from the point of view of being Treasurer, and some of the other, I guess, issues between himself and other members, with regard to this toll hike increase and how it was arrived at.

So, without any further ado, let me indicate that Assemblywoman Crecco has called. She is ill, and cannot be with us today. I believe she has sent an aide, who wishes to read a statement. Is he here? (affirmative response) Do you want to come up? Will you introduce yourself, please?

J O S E P H J. S C A P E R R O T T A: Sure. My name is Joseph Scaperrotta, Legislative Aide to Assemblywoman Crecco.

"Assemblyman Schuber and fellow Committee members: I apologize for not being able to appear with the Committee today, but family matters necessitate my absence.

"This much-debated, much-publicized toll increase proposal has brought about much discussion during the past few weeks. After listening to testimony from the Highway Authority at previous hearings and through the press, I am convinced that these toll increases are unwarranted.

"No one can question the excellent job done to make the Garden State Parkway the finest road in the land. But it's time the Parkway Authority reevaluate their expenditures. I see no reason for a \$10 million annual payment to the Department of Transportation, an amount that is surprisingly close to the estimated deficit for the coming fiscal year.

"Those of us in private enterprise evaluate our priorities every day. We can't always have everything we want, and sometimes we shouldn't have it anyway. Do we really need to spend \$17 million to expand the Essex toll plaza in my hometown of Bloomfield? Do we need marble floors in the Garden State Arts Center? Do these policy decisions make sense? Sometimes I wonder.

"Instead, it is now time that we study the feasibility of removing the tolls from the Parkway altogether. I have introduced legislation in the General Assembly which would do just that.

"Eliminating tolls on the Parkway would cost the State revenue, but would also lead to the receipt of Federal aid for the 173-mile road. In addition, millions of dollars will be saved because toll collectors, some of whom earn as much as \$19 per hour, will no longer be needed.

"How many traffic accidents are caused by motorists fumbling around their pockets for quarters? How many hours are lost by motorists sitting in traffic jams caused by the toll plazas? These are questions that this study commission should investigate.

"I am not necessarily calling for the elimination of the tolls, but I think it is time we took a look at whether this would, in fact, be a good move. Thirty years ago, motorists were told that the tolls would come off the road when the highway was fully paid. Connecticut took the tolls off their Turnpike. Can New Jersey follow Connecticut's example? Let's find out.

"Thank you for your indulgence."

ASSEMBLYMAN SCHUBER: Thank you, and give our best wishes to Assemblywoman Crecco, please.

MR. SCAPERROTTA: I will, thank you.

ASSEMBLYMAN SCHUBER: I would indicate that we had asked the Public Advocate to be here today, but I do not

believe he has accepted the invitation to be here. Is there anyone from the Public Advocate's office here?

G L O R I A J A C K S O N W R I G H T: Yes.

ASSEMBLYMAN SCHUBER: Oh, I'm sorry.

MS. WRIGHT: We are not prepared to give a statement at this time.

ASSEMBLYMAN SCHUBER: Do you want to come up front, please, and identify yourself for us?

MS. WRIGHT: Thank you for inviting us. I am Gloria Wright, Legislative Liaison for the Public Advocate. We are not prepared to give a statement at this time. I am just monitoring the hearing for the Commissioner.

ASSEMBLYMAN SCHUBER: Is there any reason why you are not prepared to give us a statement?

MS. WRIGHT: Yes. We are preparing a report, as you have probably read, or guessed, and our findings are incomplete at this time.

ASSEMBLYMAN SCHUBER: All right. Will that report be shared with the Legislature when it is completed?

MS. WRIGHT: That is the Commissioner's call. I am not certain what will happen after the report is prepared.

ASSEMBLYMAN SCHUBER: My only concern is simply this: If my recollection serves me right, in the articles I read with regard to the Senate hearing on this issue, I thought someone from the Public Advocate's office testified there. Is that true? I may be wrong.

MS. WRIGHT: No, we did not give testimony at the Senate hearing on this issue.

ASSEMBLYMAN SCHUBER: Okay. If I am wrong, I apologize. I thought I had read that.

MS. WRIGHT: No, we did not.

ASSEMBLYMAN SCHUBER: Let me indicate to you simply this: I think the investigation which I understand the Public Advocate has undertaken is with regard to the issue of

procedures that were utilized with regard to the adoption of this proposal for a toll hike increase. Is that correct?

MS. WRIGHT: That is correct.

ASSEMBLYMAN SCHUBER: Okay. I would think that the information as a result of your report would be very helpful to this Committee. We would certainly want to see the report that is to be issued as a result of that, and I reserve the right, if time permits us to do so, to call in the Public Advocate to testify on that.

MS. WRIGHT: I will relay those sentiments to the Commissioner. Hopefully, the information will be shared, but that is totally his call. But, I will let him know that you do want the information.

ASSEMBLYMAN SCHUBER: I would hope you would indicate our strong desire to see what his findings are with regard to that.

MS. WRIGHT: I will.

ASSEMBLYMAN DOYLE: Mr. Chairman?

ASSEMBLYMAN SCHUBER: Yes, Mr. Doyle.

ASSEMBLYMAN DOYLE: I just want to underscore your last point and, through you, ask whether the Public Advocate's office had some timetable or likely production date for that report?

MS. WRIGHT: Well, the report is being prepared at this moment, so hopefully it will be completed in the near future.

ASSEMBLYMAN DOYLE: Can you define the "near future" -- a day, a week, a month?

MS. WRIGHT: No, I cannot.

ASSEMBLYMAN SCHUBER: Have you concluded your investigation?

MS. WRIGHT: I think all of the information has been gathered, and it is just a matter of--

ASSEMBLYMAN SCHUBER: Of collating it and putting it into report form.

MS. WRIGHT: Yes, that is correct.

ASSEMBLYMAN SCHUBER: So we would hope that that would be forthcoming very shortly, in other words?

MS. WRIGHT: Hopefully -- in the near future.

ASSEMBLYMAN SCHUBER: Okay, fine. Thank you very, very much.

MS. WRIGHT: Thank you.

ASSEMBLYMAN SCHUBER: I would also indicate that we had hoped to have someone here from the Department of Transportation, with regard to their analysis of the project. As you know, the Governor has asked the Department of Transportation to review the project analysis that is being used to buttress the toll increase. I spoke with the Commissioner, and she has indicated that that is an ongoing investigation on their part. They have not concluded that at this point. At the conclusion of their report, and after having shared it with the Governor, they will share it with us. So, we reserve, obviously, the right to have that here, too. I have indicated that to her also.

Let's put this on the record. I would also indicate that I still do not have the following information. We do not have, from the Authority -- and I thought we might have it by now, because I thought they would have had it in their own analysis-- We don't have an in-depth revenue analysis of the 35-cent barrier toll -- an increase from 25 cents to 35 cents on the barrier tolls -- as to what revenue that would bring in. That was a question that came up at our last meeting, and I was a little bit surprised to find out-- They indicated that there was no analysis done of that, but that they would do it for us. But, we still don't have that.

Second, I have not yet seen a list of the construction projects that are being talked about with regard to this toll hike increase. I think that is another thing that this Committee is going to have to see with regard to its review of this whole scenario.

With that, I will ask if Mr. Martin S. Fox, Esq., Fox and Fox, General Counsel for the New Jersey Highway Authority, would come forward.

M A R T I N S. F O X, E S Q.: Good morning.

ASSEMBLYMAN SCHUBER: Good morning, Mr. Fox. For the benefit of the members, this is Martin S. Fox, Esq., who is the General Counsel for the New Jersey Highway Authority. Is that correct, Mr. Fox?

MR. FOX: My firm is, yes, sir.

ASSEMBLYMAN SCHUBER: Your firm is, okay. We have asked Mr. Fox to testify today. I don't believe he has an opening statement. Is that correct?

MR. FOX: I have no statement.

ASSEMBLYMAN SCHUBER: Okay. He will answer questions from the members with regard to the minutes that were taken by his firm during the course of the time period in which the toll hikes were discussed. Therefore, as soon as Mr. Fox is prepared, we will ask him a series of questions with regard to that.

MR. FOX: I'm ready.

ASSEMBLYMAN SCHUBER: Mr. Fox, just maybe for the benefit of the members of the Committee, would you give us a little bit of your background, please?

MR. FOX: Okay. I was born in Newark in 1924. I was educated in the public schools in Newark and Belmar. I am a graduate of Amherst College, Harvard Law School, and somewhere in-between, I spent three years in the United States Army Air Force during World War II. I have been practicing law in Newark since I passed the bar in January, 1949. I spent 10 years on the New Jersey State Board of Education. I have held a number of chairmanships in charitable organizations, and I have been on a number of public bodies. I have been counsel to the Highway Authority, oh, for about 11 or 12 years. I don't remember exactly. I think it was in the third year of Governor Byrne's term as Governor that I was first appointed.

ASSEMBLYMAN SCHUBER: Appointed General Counsel?

MR. FOX: General Counsel.

ASSEMBLYMAN SCHUBER: That would be 19--

MR. FOX: Somewhere between 11 and 12 years ago; I am just not sure. We have served in that capacity consistently since then.

ASSEMBLYMAN SCHUBER: Let me ask you this, Mr. Fox: In the capacity of your duties as General Counsel for the New Jersey Highway Authority-- What are your duties?

MR. FOX: How do you define General Counsel? We are the lawyers for the Authority -- the general lawyers for the Authority. We are not the only lawyers for the Authority. So you may understand, there is one lawyer on the staff, Mr. Critchley, who is sort of house counsel. We have a special labor counsel, because we have a number of unions. We have people who negotiate with our -- who handle the problems with our various unions. Then there is the Robinson, Wayne firm, which is special litigation counsel.

Now, in general, we attend the meetings of the Authority. We advise the Commissioners on legal matters as they come up, and members of the staff on legal matters as they come up on a day-to-day basis. Unfortunately, a public Authority of this kind attracts a fair amount of litigation, and we handle a good part of the litigation which is attracted, and negotiations for contracts,-- and so forth. For example, when the State sections were taken over, there was a continuing negotiation with the Department of Transportation. We handled that.

ASSEMBLYMAN SCHUBER: What specifically are your duties with regard to the keeping and recording of minutes for the Authority?

MR. FOX: Well, the minutes of public meetings are not kept by us. They are kept by stenographers. We keep the minutes of the non-public meetings, which have a number of

names. We tend to call them the "exempt meetings." These minutes have been kept by us since the Sunshine Law was enacted.

ASSEMBLYMAN SCHUBER: So, these minutes of the exempt meetings would be kept by you or someone from your office. Is that correct?

MR. FOX: Yes. The scrivener is generally Mr. Grossman, who is my partner.

ASSEMBLYMAN SCHUBER: Those minutes from those exempt meetings are then-- What happens to them after the meetings are finished?

MR. FOX: Well, at the present time, we type them up in our office immediately after the meeting, which is generally on the same day, or the next day. One copy is sent to the offices of the Authority and one copy is sent to the Authorities Unit in the Governor's office.

ASSEMBLYMAN SCHUBER: Are any copies sent to the Commissioners themselves?

MR. FOX: No.

ASSEMBLYMAN SCHUBER: Have these minutes, in the past, been approved by the Commissioners?

MR. FOX: It is not our practice to do so.

ASSEMBLYMAN SCHUBER: So, to your knowledge, they have not been?

MR. FOX: Oh, I know they have not been.

ASSEMBLYMAN SCHUBER: Oh, okay.

MR. FOX: I can tell you that they have not been.

ASSEMBLYMAN SCHUBER: Now, there is a series of meetings that this Committee is interested in, in particular -- basically, I guess, starting with January -- well, in particular January 22, 1987, February 26, 1987, March 26, 1987, April 23, 1987, and probably some others. Those all represent exempt meetings. Could you tell us whether you were present at those meetings? Start with January 22.

MR. FOX: I believe I was present at all of them, but there is an attendance list. January 22, yes. What was the next one?

ASSEMBLYMAN SCHUBER: February 26.

MR. FOX: I was present.

ASSEMBLYMAN SCHUBER: Okay. March 26?

MR. FOX: I was there.

ASSEMBLYMAN SCHUBER: And April 23?

MR. FOX: I was there.

ASSEMBLYMAN SCHUBER: Okay. Let me ask you: During the course of these meetings, there were a number of topics discussed, in particular there were a lot of discussions and a lot of statements made -- at these meetings and afterward -- explaining the minutes, as to what they meant with regard to who and what discussed the toll increases. Now, to your knowledge, do you remember the meeting that took place in which the Executive Director reported on providing information to the Governor's office and the Department of Transportation with regard to a toll increase?

MR. FOX: I have to ask you to refer me to a specific set of minutes, because tolls are something which have been discussed for as long as I can remember.

ASSEMBLYMAN SCHUBER: All right. Why don't we start with January 22? At that time, Chairman Stanley reported that she had met with the Governor to review the Authority's proposals for ramp and barrier toll increases. Present at that meeting with the Governor were Commissioners Levey, Robinson, and Sambol, as well as Mr. Zilocchi, the Executive Director. Those minutes-- The Governor is reported to have approved of the Authority's proposal for a ramp toll increase -- in the January 22 minutes -- "which may be implemented immediately, and further approved of the barrier toll increase, provided that the Authority not proceed with or implement that increase until the end of 1987," which I think are the exact words used in the minutes. Okay?

MR. FOX: Yes, sir, I think you have read them correctly.

ASSEMBLYMAN SCHUBER: Now, can you tell us whether this is an accurate reporting of what Chairman Stanley said was an account of the meeting with the Governor, to your knowledge?

MR. FOX: I believe that is an accurate report. The only quibble I would make with it, would be that I want to understand the work "approval." Obviously, the Governor does not have the right to approve tolls; the Authority has the right to approve tolls. As I understand the word "approval" in these minutes, it meant that the Governor indicated no objection, and gave the Authority the right to proceed. He approved in the sense of, "Go on and do your thing," which meant start the process. That is the way I would read the word "approval." But, other than that, it is a perfectly fair statement of the report which was made.

ASSEMBLYMAN SCHUBER: Do you have any recollection of what was meant by "they were not to proceed with or implement the increase until the end of 1987"?

MR. FOX: What was meant? No.

ASSEMBLYMAN SCHUBER: Or what was said with regard to that?

MR. FOX: I have no better memory, Assemblyman, than what is here. I mean, these are notes of what was said. They are not transcribed. They were dictated shortly after the meeting. But I believe they fairly represent what happened at the meeting.

ASSEMBLYMAN SCHUBER: Do you remember any discussion at that meeting with regard to reasons why the toll increase was to be suspended until the end of 1987?

MR. FOX: Other than what is reflected in the minutes, no, sir.

ASSEMBLYMAN SCHUBER: You have no independent recollection?

MR. FOX: I have no independent recollection of the reason, no.

ASSEMBLYMAN SCHUBER: Now, in that January 22 meeting, there was also a discussion that Chairman Stanley had spoken directly to the Governor and presented the Authority's proposal concerning temporary financing to meet the Authority's financial needs during 1987.

MR. FOX: Are you talking about the top of page 2, Assemblyman?

ASSEMBLYMAN SCHUBER: Yes.

MR. FOX: Yes.

ASSEMBLYMAN SCHUBER: According to the minutes, the Governor approved of that proposal. Is that correct?

MR. FOX: Well, obviously, the minutes could do nothing but reflect what the Chairman stated.

ASSEMBLYMAN SCHUBER: Okay. Is that an accurate statement of what she had stated that day?

MR. FOX: I believe it to be so, yes. She left the meeting, made a telephone call, and came back and said something happened. This is what the scrivener put down. We were not party to the telephone conversation.

ASSEMBLYMAN SCHUBER: Were you present when Chairman Stanley spoke directly to the Governor?

MR. FOX: No. My memory is that she left the room and went into an office and came back and made a report. I don't even know that she went into an office. I stayed in the room.

ASSEMBLYMAN SCHUBER: Let me ask you this: These minutes reflect on people's statements. Do you take a verbatim record of what the individual is indicating, or are these just summaries of what the individual stated at a meeting?

MR. FOX: They are summaries. There is no way we can take a verbatim record. We have no facilities for it. These are essentially lawyers' minutes of what happens at a meeting at which they are present.

ASSEMBLYMAN SCHUBER: Now, does anyone wish to ask any questions with regard to this set of minutes, before I move on?

ASSEMBLYMAN DOYLE: If I may.

ASSEMBLYMAN SCHUBER: Yes, go ahead.

ASSEMBLYMAN DOYLE: Does anyone else keep minutes, Mr. Fox?

MR. FOX: Obviously, these are the official minutes, Assemblyman Doyle. I am not familiar with whether any members of the Authority take notes, which they may keep. There is generally a representative-- There is always a representative of the Governor's Authorities Unit present. It has been, in most cases, Jeanne Stiefel. I have observed her taking notes on yellow pads. I have no idea whether they would rise to the elegant category of minutes, but--

ASSEMBLYMAN DOYLE: By the way, is Mr. Grossman here today?

MR. FOX: No, he isn't.

ASSEMBLYMAN DOYLE: Mr. Grossman is a lawyer of some years' standing?

MR. FOX: Yes. He is my partner.

ASSEMBLYMAN DOYLE: And, at a meeting, do you divide your responsibilities so you are attuned to what is being said, so you can respond and advise and counsel, and he is more attuned to trying to take down the very important salient parts of the meeting in his minute-taking procedure?

MR. FOX: I wouldn't put it quite that way, but largely that is so. I do not take many notes during the meeting, so that I can be available in the event the Chairman or any of the Commissioners have a question to ask me about something that is proceeding. But Mr. Grossman responds to questions, as well.

ASSEMBLYMAN DOYLE: But his prime, direct, and immediate responsibility is to take those notes -- to keep that set of minutes, which are the only official minutes?

MR. FOX: It is his responsibility to take the notes, that is correct. But I want you to understand that I take full responsibility for every word of them.

ASSEMBLYMAN DOYLE: I appreciate that. As the senior partner in my firm, I have to take the same responsibility. He transcribes them the same day, or within a day usually?

MR. FOX: It is usually done-- Our meetings are in the morning, and when we get back to the office these are dictated. They are dictated in our office.

ASSEMBLYMAN DOYLE: I assume it is done so that it is fresh in his mind and represents as clearly and as totally as possible what occurred?

MR. FOX: Yes, sir.

ASSEMBLYMAN DOYLE: Who is TMS? I notice in the minutes ADG:TMS.

MR. FOX: Arthur Grossman has a secretary whose first name is Terry, and I'm sure TMS are her initials. I don't know what the other names are.

ASSEMBLYMAN DOYLE: I note she is the person who takes it every month from Mr. Grossman. So there is an orderly procedure whereby he takes them, he reports them within a day, and gives them, always, to the same secretary. She then--

MR. FOX: She is his secretary, and takes dictation. I believe he orally dictates them to her, rather than by machine.

ASSEMBLYMAN DOYLE: Then they go out to the Authorities group within the Governor's office, which Mr. Weinstein represents, I believe. Correct?

MR. FOX: Mr. Weinstein, I believe, is the Chief of the Authorities Unit in the Governor's office. Ms. Stiefel is-- I don't know what her title is, but she is the one who is present at our meetings. She sits through all of our exempt meetings.

ASSEMBLYMAN DOYLE: Who else does it go to, did you say?

MR. FOX: George Zilocchi.

ASSEMBLYMAN DOYLE: Okay.

MR. FOX: Incidentally, that has been true since-- This procedure is the procedure that has been in place since the Authorities Unit was formed, which was approximately April, 1986.

ASSEMBLYMAN DOYLE: Mr. Fox, is it fair to say that this is the best, perhaps the only, recitation of what happened at that meeting of January 22, 1987 -- the minutes we have here?

MR. FOX: It is the only one I know about. Our duty was to take minutes of the meeting; we did it, and this is it. I don't know whether anyone else took minutes. I don't know what notes were taken by Ms. Stiefel. I have no idea, but I know these are our notes.

ASSEMBLYMAN DOYLE: Is it fair to say they were kept as minutes are normally kept, for all of the months preceding and succeeding?

MR. FOX: Well, we didn't treat January any differently than any other month.

ASSEMBLYMAN DOYLE: And you are satisfied that what you have taken accurately reflects what happened at that meeting?

MR. FOX: In the sense of minutes. I mean, certainly nothing happened at the meeting that isn't reported here, and everything that happened at the meeting is reported here. People who were present could quibble over the methods of expression as to what was said, but in the sense of minutes, these are accurate minutes.

ASSEMBLYMAN DOYLE: What happened is here, and what didn't happen isn't here?

MR. FOX: Isn't here, but they are just one person's version of what happened, and there could be minor differences as to words. I mean, I know when I read them, I would have expressed a few things differently. I gave you one example.

ASSEMBLYMAN DOYLE: Could you give us any other significant ones?

MR. FOX: Yeah, there is one on this one which just hits me in the face every time.

ASSEMBLYMAN SCHUBER: Which one are you referring to?

MR. FOX: The one from January. In the beginning of the third paragraph, there is a sentence which ends with the "Governor's directives." The word "directives" is clearly not a word I would have used. I would have used the word "suggestions," or "thoughts," rather than "directives," because obviously the Governor cannot direct the Authority and, as far as I know, didn't.

ASSEMBLYMAN DOYLE: You said, "Perhaps others who were there could quibble." Having sent the minutes to Ms. Stiefel and Mr. Zilocchi, I would assume within a few days of the meeting, did either of them, in fact, quibble with these minutes we have before us, to your knowledge?

MR. FOX: I know for a fact that we have had no comments on these minutes from either place.

ASSEMBLYMAN DOYLE: Not having received any comments that the minutes were in error from January until after November 19, we have now read in the press that amongst others, Governor Kean, who was not there, Ms. Stanley, who was, and Mr. Zilocchi, who was, said these minutes are inaccurate. I would assume from the testimony you have already given us that you disagree with those statements, and you believe them to be accurate.

MR. FOX: I read The Newark Star-Ledger, The Wall Street Journal, and The New York Times every day. I have not read any of the other press in the State of New Jersey, except for an occasional article which someone shoves under my nose. I can speak only for the minutes, and I stand by the minutes as being substantially correct as I have described them. Obviously, I don't see how anyone who wasn't there could say

that the minutes are wrong. More than that, I can only say affirmatively that I stand by these minutes as reasonably reflecting what happened at the exempt meetings of the Highway Authority.

ASSEMBLYMAN DOYLE: With respect to-- So that I am clear in my own mind about the item on the top of page 2, wherein it is said: "During the course of the discussion of this item" -- and I will paraphrase, this item refers to the temporary financing and the taking over of the State-owned section -- "the Chairman spoke directly to the Governor, presenting the aforesaid proposal. The Governor approved of the proposal--" Am I to understand that Ms. Stanley, in effect, got up, said, "Let's be clear. Let me go call the Governor," left, returned several minutes later, and said, "I just spoke with the Governor, and he approves of the proposal"?

MR. FOX: Yes, that is essentially what happened.

ASSEMBLYMAN DOYLE: How would you change what I have just said as to what occurred at that meeting? Or, put it in your own words.

MR. FOX: There was a discussion. As a result of the discussion, the Chairman suggested that it might be well for her to call the Governor. She left the room. When she came back, she reported a call to the Governor.

ASSEMBLYMAN DOYLE: How long was she gone?

MR. FOX: Five or 10 minutes, but that is my memory of something that happened a year ago. It was a short time.

ASSEMBLYMAN DOYLE: Was she elated when she came back?

MR. FOX: Elated?

ASSEMBLYMAN DOYLE: Yeah, to get the imprimatur of the Governor to something -- to a course of action that the Parkway evidently had wanted to go on.

MR. FOX: I do not think this was an event of such moment that it would cause either deep depression or high elation.

ASSEMBLYMAN DOYLE: She just reported a fact -- the Governor approved?

MR. FOX: She made a telephone call, and said, "Yeah, the change is okay." Essentially, that was the tenor of it.

ASSEMBLYMAN DOYLE: One final question, with your indulgence, Mr. Chairman. In the last full paragraph of page 1, there is, in the middle of that paragraph, the following language: "The Commissioners prefer to propose the complete package of a 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 the end of 1987." At the bottom, it says, "It was decided that the Authority should obtain temporary financing from bank anticipation notes. In addition, the proposal would also allow for the Authority to take over the State-owned section, without that acquisition being directly tied to the toll increase as well."

Why was there such an effort, as you recall, at this meeting, as is reflected in those two separate quotes, to keep separate the Reception Center, as well as the acquisition of State-owned property that was part of the Parkway, from the toll increase? Why?

MR. FOX: Assemblyman, up until now, you have been asking me about the minutes.

ASSEMBLYMAN DOYLE: Okay.

MR. FOX: And these minutes reflect what happened. If you are asking me what I think was the reason for this, I will be happy to answer it. But, let's understand that--

ASSEMBLYMAN DOYLE: I realize the question I am asking is more substantive than the preceding procedural questions, but if I could--

MR. FOX: I will be happy to give you my opinion, and it is nothing more than my opinion.

ASSEMBLYMAN DOYLE: I would appreciate hearing it.

ASSEMBLYMAN SCHUBER: Why don't you give us your opinion now, then?

MR. FOX: Yeah, okay. Tolls are almost constantly under consideration at a place like the Highway Authority. I don't have much experience at other places like it. But, tolls are always in our minds. Why? We borrow the money that funds the things we do through normal financial channels on Wall Street. Each time we borrow money, it is essential that we go deeply into the finances -- past, present, and future -- of the Authority. The rating agencies are constantly concerned about the subject of tolls, because it has to do with the interest we pay on our various bonding issues.

Now, we bonded in '84 and '86. Both times, tolls were fully discussed, and were discussed in the official statements which we issued. Every time there is a major expenditure, the effect on tolls has to be considered. As you know -- as you heard from Assemblywoman Crecco's representative -- we pay \$10 million a year to the State, under a contract. That is a major item for us. It represents close to 10% of our revenues. When we took over the State sections, there were large financial concerns.

There was one other thing in here. Now, it is an evolving process. We have probably known for five or six years that sometime in '87 or '88 we were going to run out of money. It says so in our official statements that were issued in conjunction with our bonds. So, this wasn't an event. You know, somebody didn't sit down and say, "Hey, let's raise tolls." It was in the minds of the Commissioners on a relatively constant basis that this was going to happen about now. As you go through the minutes, you can see continuing references to it.

ASSEMBLYMAN SCHUBER: For how long was that in their minds that it would have to come about around now?

MR. FOX: Well, I can point to 1984, because it was public at that time in our official statement. I suspect that-- But it was about now. You see, it didn't happen in '87. The guess in 1984 was that we would run out of money in about 1987. It turned out that it didn't happen that way. Obviously, everyone's concern is to push it off as long as possible.

ASSEMBLYMAN SCHUBER: But, it is accurate to say that back in '84 -- at least up to '84 -- there was a recognition among the Commissioners that sooner or later there would have to be a toll hike increase somewhere around '87, '88.

MR. FOX: Yeah. It says so right in our official statements. Let's see if I have the right one -- the '86 one. (Mr. Fox goes through his papers) In our '84 official statement, it says: "No determination has been made by the Authority at this time as to the source of the additional revenues." It says before, "Additional revenues will be needed from '87 through '90." "Present toll rates could be increased so as to provide the additional required revenues presently projected to be required in 1987 to '90." This was at the time of the '84 bonding.

And, there is a Toll Committee -- I believe it is a staff committee -- which has this constantly under review.

ASSEMBLYMAN SCHUBER: What is a Toll Committee?

MR. FOX: Pardon me?

ASSEMBLYMAN SCHUBER: What is the Toll Committee?

MR. FOX: I don't know. I have never been to a meeting of the Toll Committee, so I really don't know. I believe there is a Toll Committee which is made up of staff members. There are a number of committees. This is a complex business operation. I believe there is a Toll Committee made up of staff members, which considers this thing on a constant basis and reports to the Authority.

ASSEMBLYMAN SCHUBER: Do they make a written report to the Authority periodically?

MR. FOX: I doubt it; I doubt it. There are committees governing every phase of the Authority's work. Remember, your Commissioners are non-paid Commissioners, most of whom spend a relatively small amount of time at the Authority, and a large amount of the Authority's business is done by a very excellent staff, which considers each aspect of the Authority's business on a regular basis.

ASSEMBLYMAN SCHUBER: This Toll Committee--

MR. FOX: Yes?

ASSEMBLYMAN SCHUBER: Did there come a time when this Toll Committee made a recommendation to the Authority that there be a toll increase?

MR. FOX: Well, the minutes are the minutes, and they tell you what happened at these--

ASSEMBLYMAN SCHUBER: I don't recollect ever hearing about a Toll Committee in the minutes. That's why I'm asking.

MR. FOX: Yeah, but, you see, the Toll Committee-- I am not familiar with the exact chain of command as to how it would get there. But, obviously, things happen, other than at meetings of the Authority. The Chairman, under our bylaws, has a very substantial responsibility for the day-to-day running of the Authority. The Chairman, although non-paid, spends almost full-time at the business of the Authority, and I am sure discusses matters with the Executive Director on a regular basis.

Also, it is perfectly proper for members of the Authority to discuss with the Chairman, and among themselves, what is going on at the Authority, as long as they comply with the Open Public Meetings Act. So, these minutes you have do not represent the entire story. You have minutes of a public meeting and you have minutes of the exempt meeting, but that is not all that happens at the Authority. The Authority's business is conducted on a minute-to-minute basis, five days a week, all through the year.

ASSEMBLYMAN SCHUBER: I understand that to be the case. I was just wondering, from your recollection, was there a time when this committee may have made a report to the Authority -- to the Commissioners, at some point in the past -- where they recommended a toll hike such as this for this period of time.

MR. FOX: I'm freewheeling in answer to Assemblyman Doyle's question, but I can tell you that from my impression, tolls have always been on the minds of these Commissioners. It is an evolutionary process, rather than a revolutionary one. There wasn't a moment when someone said, "Aha, the tolls are going to go up." We knew the tolls were going to go up at some point. We had no idea what the form of it was going to be. As a matter of fact, it still hasn't been finally determined.

You know, we have a rather strange statute, which requires that before we can pass a resolution changing tolls, we have to have written approval from the Governor, which creates a very complex "chicken and an egg" problem. In other words, before you can start the process of having public hearings on the question of tolls, you have to have a letter from the Governor, which says, "Okay, do it." That almost forces you to talk to the Governor before you can do anything, because if you don't have his letter, you can't do anything on the subject of tolls.

ASSEMBLYMAN SCHUBER: Is there such a letter?

MR. FOX: Pardon me?

ASSEMBLYMAN SCHUBER: Is there such a letter?

MR. FOX: Yes, there is such a letter.

ASSEMBLYMAN SCHUBER: There is such a letter.

ASSEMBLYMAN DOYLE: That predated the November 19 meeting.

MR. FOX: It did not predate it. It arrived in the midst of the meeting.

ASSEMBLYMAN SCHUBER: What does the letter say?

MR. FOX: I don't have it with me. Essentially, what it says -- and I will freely paraphrase-- It says, so that you may continue, I give you my approval of the tolls on the attached list. However, you may not adopt these tolls, unless you again get my prior written approval. Implicit in that, of course, is, I also have the veto right, which the Governor has under the statute.

ASSEMBLYMAN SCHUBER: When was this letter--

MR. FOX: This letter was delivered at the November 19 meeting. I know this has been said before, but it was delivered by Ms. Stiefel about 15 or 20 minutes after the exempt meeting of November 19 was convened.

ASSEMBLYMAN SCHUBER: I haven't seen a copy of that letter, although I understand there is a reference to it obliquely in one of the minutes.

MR. FOX: Oh, I think it is more than oblique. There couldn't have been a meeting without that letter. I don't have the November 19 minutes either. I am sure it is in the November 19 minutes.

ASSEMBLYMAN SCHUBER: "November 19, 1987: Jeanne Stiefel of the Authorities Unit entered the meeting at this point and presented the prior approval letter of the Governor and State Treasurer, and the waiver of veto letter with respect to the proposed amendment to the toll regulations. Fox reviewed the prior approval letter with the Commissioners, and reported on the procedural requirements to begin the process to ultimately adopt the proposed toll increase. Those requirements include the holding of public hearings," etc., etc., "in accordance with the Act."

MR. FOX: In other words, these Commissioners couldn't do anything by law, until they had that letter in hand, except plan and think, and it had to be done with the Governor's office, and that makes sense. That is what the statute says, and it is very sensible, because everything we do has an effect

on the bonding ability of the State of New Jersey. Our bonds, we are told by the Wall Street people, are looked at with the State bonds. That is why the Treasurer's name has to be on that letter, because the Treasurer doesn't want us to do anything that is going to mess up the State's credit rating. We are constantly in full cooperation with them on this.

ASSEMBLYMAN SCHUBER: That letter--

MR. FOX: Mr. Chairman, may I get a glass of water, please?

ASSEMBLYMAN SCHUBER: Oh, yes.

MR. FOX: I'll go get it myself.

ASSEMBLYMAN SCHUBER: That's all right. We'll get it for you.

This correspondence with the Governor, Mr. Fox, represents the only correspondence the Authority had with the Governor, to your knowledge, with regard to this toll increase?

MR. FOX: To my knowledge, that is the only correspondence.

ASSEMBLYMAN DOYLE: What does the waiver of veto letter mean?

MR. FOX: Under our statute, the Governor has the right to veto our minutes.

ASSEMBLYMAN DOYLE: I know the statute.

MR. FOX: You know the statute, okay. Now, occasionally, when there is a matter which is pressing, we request the Governor to tell us that he will not veto a certain item. Now, the reason we requested such a veto here again requires a few more words. We are the only Authority whose tolls are a rule under the Administrative Procedure Act. The other authorities choose not to have their tolls adopted as rules under the Administrative Procedure Act. So, when we want to raise our tolls, we have to comply with the procedures under the Administrative Procedure Act, which is-- They are fairly complex. I have them on a piece of paper someplace, but you

have to publish on certain days, and you have to get the notice in so it will be in the-- What do they call it?

UNIDENTIFIED SPEAKER FROM AUDIENCE: "The Register."

MR. FOX: So it will be in "The Register" in time. It happened that in order for us to get it into "The Register" in time, we needed a waiver of the veto, because the Governor has the right to veto within 10 business days. In order to make the next issue of "The Index," we needed such a letter, or it would have delayed us by another two or three weeks. So a request was made of the Governor's office for a waiver of veto on this item, and it was granted. That letter was delivered as well.

ASSEMBLYMAN DOYLE: What was so critical about those two or three weeks that the Governor gave away his right by waiving his veto?

MR. FOX: Oh, no, no, no.

ASSEMBLYMAN DOYLE: For at least that part of it.

MR. FOX: Oh, no, he just-- All he did-- Remember, he gave us the prior approval. Once he gave us the prior approval--

ASSEMBLYMAN DOYLE: When did he give you the prior approval?

MR. FOX: The two letters were delivered simultaneously.

ASSEMBLYMAN DOYLE: Separate letters -- one approving and one waiving the veto?

MR. FOX: One essentially waiving his veto. But, there is nothing invidious about it. I mean, once we had the prior approval, the waiver of veto was a mere formality.

ASSEMBLYMAN DOYLE: Would I be right in concluding that you weren't all sitting there on pins and needles wondering whether the letter would come or wouldn't come, and that there was some great suspense? The letter was coming; you knew that, didn't you?

MR. FOX: You would not be right.

ASSEMBLYMAN DOYLE: I would not be right?

MR. FOX: You would not be right.

ASSEMBLYMAN DOYLE: You didn't know whether it was coming for sure?

MR. FOX: We thought it was coming, but we didn't know. I was involved in it, and I can tell you that we weren't sure until it arrived whether it was coming or what it was going to say. We knew something was coming, but we didn't know what it was going to say. I want to tell you, this was a little unusual letter. This letter was not a typical prior approval letter in accordance with the statute.

ASSEMBLYMAN SCHUBER: How was it different?

MR. FOX: Because the Governor carved out for himself a second right to prior approval. The statute gives him one right to prior approval, and a typical prior approval letter would say, "I give you my prior approval of this toll increase. Do your thing. Put the increase through."

The Governor here carved out, as I said, a second prior approval. I wish I had it in front of me, but you'll get it. He said: "You may not adopt a final resolution on tolls until I get a second look at it and a second right to prior approve." Now, what was he doing? He was acting reasonably under the circumstances. We couldn't move unless he gave us a letter. The statute stopped us-cold. He wanted to be sure that the tolls were something which he finally approved of after our hearing process, so he said: "Don't do it again, until you come to me and satisfy me that it is okay."

On top of that, he has the statutory right of veto anyhow. So, what he did-- He gave us the right to proceed, but he kept his hands on us pretty tightly.

ASSEMBLYMAN DOYLE: Well, I am looking at the October minutes, page 3, which is paragraph 5, and I quote: "It was agreed that the matter would likely be presented for public presentation at the November 19 meeting."

MR. FOX: Right.

ASSEMBLYMAN DOYLE: And it was.

MR. FOX: That's right, it was.

ASSEMBLYMAN DOYLE: To make that statement at the October meeting, wasn't the Authority rather certain of the Governor's pre-approval and waiver?

MR. FOX: What our Commissioners had been doing was the reasonable thing. They had been talking with the representatives of the Governor's office about their plans as they evolved.

ASSEMBLYMAN DOYLE: Not merely the representatives, but according to--

MR. FOX: According to the January meeting, the Governor, yes.

ASSEMBLYMAN DOYLE: And according to another report in the Asbury Park Press that there was evidently at least one meeting involving, amongst others, Commissioners Stanley, Sambol, and Levey, with the Governor.

MR. FOX: I have no knowledge of such a meeting, and I have not seen such a report in the press.

ASSEMBLYMAN DOYLE: Okay. But, in any event, please continue -- that there had been ongoing meetings with the Governor's staff.

MR. FOX: Obviously, the letter from the Governor doesn't emerge spontaneously out of the air. The letter has to be sought, and even in this case, negotiated, and the letter came. I told you what it said.

ASSEMBLYMAN DOYLE: Well, throughout the minutes -- and November 19 only represents, in effect, the icing on the cake, the last part of it -- there are discussions that the short-term financing had been cleared with the Treasurer, and that Executive Order 147, which requires at least 20 days' notice before any initial public action of any of the authorities, including the Highway Authority -- that there

shall be sent the general summary of the transaction to the State Treasurer. All of that had always been done, so this just represented the conclusion of a long planned and approved action, did it not?

MR. FOX: That is not quite a fair statement, Assemblyman.

ASSEMBLYMAN DOYLE: How isn't it?

MR. FOX: In the sense that we are still in an evolutionary process. We still must have our public hearings, at which the public has a right to be heard fully on these proposed increases. There are four public hearings scheduled. The Governor still gets two more hits at us. He gets his hit at prior approval, and he gets his veto hit.

Now, as I see it, we are at the starting line. But the law gives us obligations of things we must do to get up to the starting line. This is what you have been reading about.

ASSEMBLYMAN DOYLE: I understand that. The question becomes, I think in my mind and in the public's, when was it determined by the Authority, in concert with the Governor and/or the Governor's office, that they were irrevocably getting committed to being at the starting line on November 19?

MR. FOX: I would say, to response to the question as you put it, when were we going to get to the starting line on November 19, we knew on November 19.

ASSEMBLYMAN DOYLE: And not before?

MR. FOX: Not before, until the Governor's letter arrived. I want to tell you, I was talking to Weinstein -- Jim Weinstein of the Governor's office -- about this letter. I can tell you that we didn't know what that letter was going to say, or whether it was coming until it came. We were told a letter was coming, but we didn't know what the words of it were going to be, and we weren't sure whether it was going to give us enough of an okay to proceed, until the minute she walked in.

ASSEMBLYMAN DOYLE: If all of that is so, then what did the minutes back in January -- to bring us full circle -- mean when they said, "The Governor approved of the Authority's proposal for the ramp toll increase, which may be implemented immediately," and "The Chairman spoke directly to the Governor, presenting the aforesaid proposal. The Governor approved of the proposal"?

MR. FOX: Well, if you read it-- I believe that if you read it in the context of the continuum, and if you have a feel for what was going on there, you will see that this was part of the process; that it was necessary to say, "Hey, Governor, we're thinking of increasing the tolls," because if we didn't say that, how were we going to get a letter of prior approval? Remember, if all this Authority had to do was vote a toll increase, without the input of the Governor's office, none of this would have been necessary. There would have been studies by the Authority; they would have determined when they were ready to do a toll increase; and they would not have had to deal with the Treasurer's office or with the Governor's office, except as a matter of (indiscernible).

In this instance, we had clear statutory requirements as to what we had to do. And, if you read it all, it is a continuum, which has not yet reached its end. We are just trying to get there. We want to talk about whether we are entitled to this toll increase or not. That is what we think this issue is. But, unfortunately, if you take these meetings one at a time, it sort of gets over-analyzed. You know, when we had to pay \$10 million a year to the State, that affected tolls. Assemblywoman Crecco was exactly correct. It ultimately affected-- It moved up the day that there was going to be a toll increase.

In my mind, taking over the State sections -- you know what they are, the three State sections -- was a very, very important step by the Authority for everyone in the State. It

took expenses off DOT; it is going to ultimately remove two red lights from the -- the two traffic lights on the Parkway; and it will have the 173 miles under one Authority. But, that is going to cost money. That is part of what increases tolls.

ASSEMBLYMAN DOYLE: If that is so, then why at the January meeting was an effort made by the Authority to separate those two questions, when they were -- as you have just testified -- inextricably linked?

MR. FOX: They are inextricably linked, as is every expenditure of funds. The idea is not-- Obviously, when the Parkway raises tolls, there is a public relations problem. If there was not a public relations problem, I would be sitting in my office practicing law, and not testifying before a Committee. I mean, the press gets interested; the public gets interested. Nobody wants to pay more tolls. It isn't blamed on any one thing. The toll increase can't be blamed on the State section, and it can't be blamed on the \$10 million, and it can't be blamed on the dual, dual roads down in Monmouth County, and it can't be blamed on any single repaving contract. It's all of them. The idea is not to make it seem that any one item is the fault, because that would skew the whole discussion on to the wrong issue.

The issue here is, is a toll increase required in the best interests of the users of the Garden State Parkway and, if so, what increase is it?

ASSEMBLYMAN DOYLE: At that January meeting, was there a discussion of the particular toll increase that would be implemented?

MR. FOX: I don't believe so. I would have to look at the minutes, but I don't think so.

ASSEMBLYMAN DOYLE: The minutes don't show anything.

MR. FOX: I don't believe so. As a matter of fact, in general, the details of the increase were largely, as I understood it, delegated to Vollmer. We have traffic

consultants who are real experts in this. The Commissioners are not experts on what tolls should be charged at what booth. They employ what we believe to be the outstanding firm of traffic consultants in the country, and their recommendations are what are sought on this matter.

ASSEMBLYMAN DOYLE: If you want to move on to February, Mr. Chairman.

ASSEMBLYMAN SCHUBER: Are there any other questions on this set of minutes? (no response) Mr. Fox, let's look at the minutes of February 26 for a second, please. That is the issue that involves-- Mr. Johnson was present, and you discussed the issue-- The Commissioners -- I'm sorry -- discussed the pros and cons of the financing -- short-term and long-term financing -- with regard to their projects. Okay? Now, the minutes reflect that Mr. Johnson -- Chester Johnson -- who you know-- Is that correct?

MR. FOX: I know him.

ASSEMBLYMAN SCHUBER: Okay. Mr. Johnson "recommended that the Authority use short-term financing through bond anticipation notes to provide for the Authority's financial needs for 12 to 15 months." The minutes also reflect that "The Authority's last underwriter, Dillon Read, had suggested that the Authority pursue long-term financing."

MR. FOX: They said that the Chairman had said that.

ASSEMBLYMAN SCHUBER: That is correct.

MR. FOX: Yes.

ASSEMBLYMAN SCHUBER: But, according to the minutes, there was a concern that that approach -- that is, long-term financing, it would appear, as the minutes indicate -- would generate too much visibility on the toll increase issue. Now, whose concern was that?

MR. FOX: Well, I think that is probably a summary of the concern. It would have meant facing up to the toll increase at the time of the financing. The toll increase, as I

understand it, wasn't required as yet. The key thing in these bond deals is the rating you get from Standard and Poor's, and Moody's.

ASSEMBLYMAN SCHUBER: Right.

MR. FOX: And Standard and Poor's, and Moody's are the ones who always talk about tolls. You understand that our bond resolution generally, has a provision requiring us to have interest coverage, I believe, of 1.2, and we are in default if we fall under 1.2, and we have to take steps to get more money. The only available steps would appear to be tolls. At this time, as I read this, what the Commissioner said was, we are not ready yet to do the long-term financing, and that it would be wiser to take the short-term step for the moment.

ASSEMBLYMAN SCHUBER: The wording, though, is strange, because it does say, "Our concern to the approach is that it would generate too much visibility on the toll increase." Obviously, your testimony has been -- and it appears to be the testimony of others who have been here -- that a toll increase on the part of the Authority was a much-discussed matter over several years' time, and that it was obviously, from their point of view, coming about, you know, at this point.

MR. FOX: I accept your characterization. It is not an elegant expression.

ASSEMBLYMAN SCHUBER: Well, whether it is elegant or inelegant, the question is, to your recollection, was there more discussion with regard to why this was not to be made visible at this time or not -- if you know?

MR. FOX: It wasn't visible in the sense of hiding, which--

ASSEMBLYMAN SCHUBER: That is what it implies to me.

MR. FOX: Certainly not. You know, if you read these things in context-- You talked about a ramp increase and a barrier increase. For a long period of time, they were talked about as separate things. If you focus in on a few sentences,

it sounded as though there was going to be a ramp increase, and then there was going to be a barrier increase. But, if you look at the whole picture, obviously it didn't happen that way. The ultimate decision was that the two should be at the same time, and that is more or less what was going on here. What was going on here was, were we going to come to the public for two bites of a toll increase? Again, my impression of what happened-- My opinion, as a silent participant, was that the decision was it would be silly to have to go through two sets of toll hearings. The way to do it was to do it once. I think that is what caused Ms. Stanley's call to the Governor. It was the idea of a ramp increase, and then at a later date of a barrier increase, which would mean two sets of public hearings and raising tolls twice within a very short period of time. The decision seems to have evolved that it was better to borrow on a short-term basis -- low interest, a very favorable basis -- than to have one toll increase when it was necessary, which would be about the middle of 1988 -- April of '88 was the date we were shooting for -- and pay off the bond anticipation notes.

ASSEMBLYMAN DOYLE: Mr. Fox, with all due deference to the Chairman, and to your answer, the real issue, I think, in our minds, in looking at these minutes, is not so much, was it to be two toll hikes at separate times, or a better procedure to do it all at once. The question raised by the quotes that Mr. Schuber gave -- which I don't think were taken out of context, but are part of the continuum of which you speak -- is, did not, in fact, the Authority know, and reach a predetermination, in concert with the Governor's office, in January, as reported in your minutes -- and, as you stated, they are accurate minutes -- that you were going to have a toll increase in the not-too-distant future, and then every other discussion and decision that led to that starting gate was purposely kept under wraps? Now, to further that question before you respond, let me just read you several quotes in part

of that continuum, drawing not only from the February meeting, but successive meetings: "Johnson reported that the Authority" -- reading from February, page 1 -- "would require an infusion of capital this year, pending the anticipated toll increases in 1988, but they went for the short-term financing because that would not likely involve any significant discussion on the issue of a potential toll increase."

MR. FOX: Excuse me. Where are you reading from?

ASSEMBLYMAN DOYLE: From page 1.

MR. FOX: Of which?

ASSEMBLYMAN DOYLE: Of the February minutes -- the second paragraph. Now, at the top of page 2: "There was, however, concern that that approach would generate too much visibility on the toll increase issue." Now, let me jump, in the same vein, to the April minutes, page 3, in which it was reported that Senator Orechio's Committee was looking into the reception facility. "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's office for review and consultation." The next paragraph says that that was kept private.

Let me skip to later in that meeting, when financing was discussed. Inherent, as we found out from Mr. Johnson, in the financing discussion, was the toll increase. "Fox reported this matter out at the public meeting by stating that Johnson gave a report on the status of the studies on possible short-term financing for the capital improvement program." Thus, by omission, there is nothing said about the inherent toll increase in that short-term financing.

Let me now skip to May, page 4, paragraph 8: "Token sales programs: Mr. Nielsten of Vollmer was present during the course of the discussion. He 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 of the time of the implementation of such toll increase. At the public meeting, Grossman briefly reported on this matter to the effect that the Commissioners discussed the encouragement of the use of tolls--"

MR. FOX: You can't have read that right.

ASSEMBLYMAN DOYLE: Yes. "At the public meeting, Grossman briefly reported on this matter to the effect that the Commissioners discussed the encouragement of the use of the tokens--"

MR. FOX: Well, you said "tolls."

ASSEMBLYMAN DOYLE: I'm sorry, the tokens. I know I couldn't read it right. "--while the private meeting clearly discussed tokens in relationship to tolls, as did short-term financing in terms of toll increases." When it got to the public meeting, it was a contract. It was tokens. It had nothing to do with the toll increase.

Let me skip now to the August meeting. I just read from that meeting. The point of all of this is, you knew from January -- when I say you, I mean the Authority -- what was going on. As we read these minutes, taken as a continuum, every effort was purposely made to keep that phrase "toll increase" out of the public eye. Why?

MR. FOX: I will try to answer you fairly. You asked a very good cross-examiner's question, which if answered specifically, would be an agreement with everything you said before, with which I do not agree. So, please understand that I will comment on what you have said, but I won't answer your question, "Why?" if that is okay with you.

ASSEMBLYMAN SCHUBER: Well, answer it; go ahead. Just answer as you want to.

ASSEMBLYMAN DiGAETANO: He's a lawyer all right.

MR. FOX: Thanks.

ASSEMBLYMAN DOYLE: I treat that as a compliment, too, Mr. DiGaetano.

MR. FOX: I am not a believer in the conspiratorial theory of history. As I have observed the Highway Authority and its relationship with the offices of two Governors, I have observed dedicated public servants doing their best to maintain what is probably one of the best roads in the world, maintaining it so that it is safe and beautiful and fast and operated with the best efficiency possible.

Now, if I were going to raise tolls, or if you were going to raise tolls, it would never enter my mind to raise tolls before an election. Nobody ever talked to me about this, I have to tell you, but it would be ludicrous to come out with the subject of tolls in the midst of an election, and it would be equally ludicrous to have public discussion on the subject of tolls before you have completed your discussions with the Governor's office, because the Governor in the State of New Jersey is a huge source of power, as I am sure all of you are aware. I think we have the strongest Governor in the country. We, by statute, have a Governor who has very great power over us.

Now, all of these things which were happening, were happening not out of some great conspiracy, but out of a desire to put off the toll increase as long as possible, not to put it out when it was going to obviously become a political football, it seems to me, and this is purely my interpretation of it. This has nothing to do with anyone else. And, not to put it out until it was ready. That is the way I read this continuum, Assemblymen. I don't read it as a story of evil. I read it as a story of good.

ASSEMBLYMAN DOYLE: What made it more ready on November 19 than it was in January, when the minutes -- as you have described them -- accurately report that the Commissioners agreed to complete the package of the toll increase at one time, to do that, and they should be proposed and implemented at one time at the end of 1987?

MR. FOX: At the same--

ASSEMBLYMAN DOYLE: And the Governor was called that day, and he said he approved. What made it any more ready on November 19? What did you find out? What change, that made it more ready on November 19 or October 23, than on January 22?

MR. FOX: One very major thing.

ASSEMBLYMAN DOYLE: What's that?

MR. FOX: We had the Governor's letter in hand.

ASSEMBLYMAN DOYLE: What else?

MR. FOX: That was it.

ASSEMBLYMAN DOYLE: If anything.

MR. FOX: Look, until we had the Governor's letter in hand, we couldn't do anything. We couldn't put in a resolution; we couldn't vote on a resolution. The law precludes us from adopting a resolution relating to tolls until we have the Governor's prior approval.

ASSEMBLYMAN DOYLE: So, the only thing that made you more ready on November 19 than the Authority was, on January 22 was that letter?

MR. FOX: Again, Assemblyman Doyle, that is a cross-examiner's question, and I am going to have to answer it differently. We were then ready. The conclusion of the discussions with the Governor had finally been arrived at. I believe that attached to the Governor's letter -- and I am pretty sure I am right, although-I don't have it in front of me -- was a schedule of tolls. You know, it was a format. Until that letter arrived giving us the right to proceed, we didn't know whether he was going to accept that particular format.

Just to give you an indication, in the Chairman's opening statement, he said "50-cent toll." Did I hear it correctly? I think you did. There was an increase to 50 cents.

ASSEMBLYMAN SCHUBER: That was what they were proposing.

MR. FOX: Yeah. We don't really see it that way. We see it as a 35-cent toll, with a 50-cent charge, to induce people to buy tokens; the idea being that if everyone has a token, you will get through the barriers much faster. This is not meant as a 50-cent toll. Our experts tell us that the only way you will get people to buy tokens, is if you give them a very substantial discount. The difference between the token and a 50-cent fare or a 35-cent fare is, a token is one coin, and 35 cents or 50 cents would be two coins. Our experts tell us that the melded toll will be somewhere around 38 cents, largely being people probably from out-of-state who use the Parkway on a sometime basis.

Now, the Governor might not have liked the use of the 50 cents. At the last minute, it could have been down to 35 cents, and there would have been nothing we could have done about it.

ASSEMBLYMAN SCHUBER: But in the end, though, Mr. Fox, two things: One, why couldn't the token have been 35 cents? Why couldn't you have just gone to the token and made it 35 cents across-the-board?

MR. FOX: People wouldn't buy it. You know we have tokens now.

ASSEMBLYMAN SCHUBER: Yes.

MR. FOX: The toll is 25 cents and the token is 25 cents. I think we have 2% penetration. It may be 3%, but it is a tiny percentage of the people. I buy tokens because I know about them, but very few people do because a quarter is a token, and a token is a quarter. I can't use the token to buy anything else that is worth a quarter. If I get a discount from 50 cents to 35 cents, we are told that about 80% or 90% of the people will buy the tokens.

ASSEMBLYMAN SCHUBER: The second thing I think is, we are losing sight of-- Maybe we are getting too embroiled in the procedures here. My concern from the beginning has been

the deprivation of the public's right to know something that is going to affect them. That in the end, I think, is really maybe the underlying issue of this whole thing, Mr. Fox. I am just utilizing-- I appreciate that you are the scrivener on this thing, but please hear me out. That is really what I think is the tragedy of this whole saga as it comes out.

I mean, everybody was talking about the fact that from at least '84 on, and somehow it squeaked into the papers maybe back then, and it was in some perspectus, and all that, but the people are actually going to have to pay it. The riding public was never really brought into the whole thing at all. They were never prepared for it. They were never told why it was necessary. I mean, it was discussed at untold meetings here, which I can see going back quite a ways, that there was going to have to be a toll increase. Maybe there is, but I don't know that yet.

I think the public has a right to know this. You know, from the point of view of this Committee, independent authorities, I think, have become just a little bit too independent, if you want my opinion. What has happened here is simply this: Everybody participates in this somehow but the public, and they are the ones who have to pay. I think that is what we are trying to delve through here -- how to prevent that from happening in the future.

MR. FOX: Do you want my comment on that?

ASSEMBLYMAN SCHUBER: No, I am just commenting to you.

MR. FOX: Then I will be happy not to comment.

ASSEMBLYMAN SCHUBER: I am just commenting to you. I mean, this is the tragedy of the story.

MR. FOX: I don't view it that way, and having been a participant, I did not see that happening. I understand what you're saying, but I don't think that is quite the way that government or business works. We saw this as the beginning of this process; we didn't see this as the end of the process. I

don't think there was any intent here to exclude anyone from the planning process, which is why we are having four hearings.

ASSEMBLYMAN SCHUBER: I understand what you're saying about during the course of the thing. But the way this procedure is operated, the public comes in at the very end.

MR. FOX: Well, it depends on where the end is.

ASSEMBLYMAN SCHUBER: Well, it is a matter of semantics. After you decide you need a toll hike increase, you hold a bunch of hearings to decide whether it is justified or not, and in the end you will adopt it anyway.

MR. FOX: Not fair.

ASSEMBLYMAN DOYLE: That's right.

MR. FOX: Not fair.

ASSEMBLYMAN SCHUBER: No, we know that.

MR. FOX: I don't think that's fair.

ASSEMBLYMAN DOYLE: Mr. Fox, that is absolutely fair for the following reason: Mr. Johnson sat in that chair on December 7, and said that once you decided to do the short-term financing, one of two things was guaranteed. One was long-term financing to replace the short-term financing. And if you did the long-term financing, then you would have to do a barrier toll increase.

MR. FOX: True; absolutely true.

ASSEMBLYMAN DOYLE: Or secondly, standing on its own, the short-term financing required at least the ramp toll hike increase. That was Mr. Johnson's testimony. So, when the Chairman says -- rightly, in my judgment -- that this is after the fact, he is absolutely correct, because the public can say all it wants, but the Authority's financial adviser -- the Authority's Executive Director sat there and said, based upon the decisions we have already made, if we don't put through at least a ramp hike increase, then we are illegal under the covenant and can be sued, irrespective of what the Governor does. He said that in the press, and it was said from that chair. How are we not after the fact?

I will throw in one further fact, and I will quote you from the Asbury Park Press.

MR. FOX: Quote who?

ASSEMBLYMAN DOYLE: Yourself. "At the Thursday press conference, Authority attorney Martin Fox said the Board decided at its October meeting to discuss the specific toll plan behind closed doors, 'in order to get this thing on the road without distractions and pressures on the Board, including political ones.'" We read that as public officials as public pressure, not political pressure. What we have seen over the past year is an effort to keep this private and make decisions that will require toll increases, so that the public never had any right to participate when it was still an operative question, shall there be toll hikes? Now that by your experts' own testimony that hike is necessary, now you say the public can come in. That's wrong.

MR. FOX: If it were exactly as you have recounted it, I would agree with your conclusion.

ASSEMBLYMAN DOYLE: How is my recounting incorrect?

MR. FOX: Well, because it misses the sense that from at least '84, it has been obvious to all who paid attention that ultimately there had to be toll increases here. It certainly cannot be believed by anyone who thinks about it, that this road, which started essentially as a four-lane road, and which now, in places, is a 12-lane road, was going to be able to continue with the same toll which was on it originally.

Now, the issue of how much of all discussions should be in public or should be in private is a perfectly fair issue and a perfectly reasonable one for there to be comment on. I do not believe that in this instance there was an intent to deprive the public of participation. Obviously, if there was such an intent, it was an abysmal failure, because there has never been, in my experience, more of a focus on an issue involving tolls or participation of -- if I may recount the

ways -- the Governor's office, the Senate, the Assembly, the Public Advocate's office. Did I say the Attorney General's office?

ASSEMBLYMAN DOYLE: All of which happened after November 3.

MR. FOX: No, not all of which. The Governor's office and the State Treasurer's office have been apprised of this on a regular basis, and they participated in the process, as the statute says they must.

ASSEMBLYMAN DOYLE: Talking to you incestuously, but never to the public.

MR. FOX: Well, incestuously is a pejorative, and since I did not see it--

ASSEMBLYMAN DOYLE: In-house, privately.

MR. FOX: --as evil, and no one who I knew who was involved in it saw it as evil-- It was attempting to do the best for the public. Now, you may conclude that it didn't, and that's okay. But I have to tell you that from my seat, I didn't see this big evil. I think I understand enough about politics to understand what is happening, but it sure wasn't apparent.

You know, Assemblyman, I don't know how much experience you have had in your practice with public bodies, but these are probably the most complete minutes you are ever going to see of a public body.

ASSEMBLYMAN DOYLE: Mr. Fox, I have for 20 years as an attorney -- for at least half of that time -- represented one municipality or another. Over those 10 years I represented three municipalities. My firm has represented several other public entities. I was a co-sponsor of the Open Public Meetings Act. I am familiar with it from its legislative history, from its enactment, and from the use to which it is put in the everyday life of public bodies. I have to tell you, in my experience, I have never seen a more concerted effort to

disabuse the purpose of that Act, to go against what the intent, as a drafter and a sponsor of that Act -- as I know it to be, than was committed by the Highway Authority for the past year, in trying to keep from the public a very critical thing that should have been in the public domain; that is, with the financing, the overall revenue and expense picture of the Highway Authority, and its projected construction, such that some sort of toll increase should be necessary.

That bottom line question which has now been decided in the affirmative, that some toll increase will be necessary -- and I will quote your Mr. Johnson from the last hearing -- "was made in private." That's wrong, and in my judgment it was improper and illegal.

MR. FOX: I don't think that is what he said, sir. I think what he said--

ASSEMBLYMAN DOYLE: I will read you what he said.

MR. FOX: The facts require the toll increase, not the decision. This isn't a toll increase to put the--

ASSEMBLYMAN DOYLE: Tell me the difference between facts and action.

MR. FOX: It has been inevitable for years, that is this highway was going to continue to grow to meet the needs of this State, there was going to have to be a toll increase. At our '84 financing, it was clear, and before then it was clear. I just know that this was a point where you could see it. This prospectus-- This was all over Wall Street. Everybody who bought bonds in the State got it. There are thousands of them out.

ASSEMBLYMAN DOYLE: It wasn't all over The Star-Ledger, the Asbury Park Press, The Bergen Record, The Trenton Times, and in the public domain. You are looking at an 80-page, closely printed document. There is a difference between public knowledge and public information. It was information. Whether it was in the public's head is something else.

MR. FOX: I'll tell you, our meetings -- our open public meetings -- are run as press conferences. The meeting is held, and at the end of the meeting, each member of the press is invited to ask questions on anything pertaining to what happened at the meeting, or anything else. And everything is answered.

Now, in my experience over the years, there has been very little press coverage of the Authority. We give our notices. We do more than the open public meeting requires. We do both the annual notices and the monthly notices. The business of negotiating bond issues is long and detailed, and this was all available. It is on page 3 in the summary statement. It isn't buried away someplace--

ASSEMBLYMAN SCHUBER: Is that the April '86 or the November '84, Mr. Fox?

MR. FOX: I'm sorry. I think I have the '84 one -- November 1, 1984. For anyone with any knowledge, any concerned adult, it is clear. I don't remember what was said at the time at the meetings, but the fact that there had to be-- I can tell you that Standard and Poor's sure knows it. As a matter of fact, our problem with Standard and Poor's, and Moody's is that they were concerned about our ability to get a toll increase because of the steps we have to go through in accordance with the statute.

ASSEMBLYMAN DOYLE: Mr. Johnson testified that what they were concerned with was whether the Authority had the political wherewithal to do it.

MR. FOX: Exactly; exactly. That is saying it another way. Since we didn't have it within our own control, and since we needed the approval of the Governor's office, it was more than just the decision of the Commissioners as to whether there could be a toll increase. It was the decision of the Commissioners and the Governor. They knew that other factors came to play on it.

ASSEMBLYMAN DOYLE: I have one other salient area I want to get into.

ASSEMBLYMAN MUZIANI: Go ahead, John.

ASSEMBLYMAN DOYLE: Let me just change the focus a little bit, if I may, Mr. Fox. You indicated that these tolls had been discussed for some period of time. There is a part of the minutes, for instance, in February, when Mr. Johnson said that "The Authority would require an infusion of capital this year." There is another part, I think in the March meeting, where they use the phrase that the "Authority's cash flow status," so evidently they were hurting, as I understand it from the minutes, in early '87.

MR. FOX: No. I don't think we were hurting in '87. We saw it coming in '87.

ASSEMBLYMAN DOYLE: The question was, when would you have to go for short-term financing?

MR. FOX: Yeah, the question was when.

ASSEMBLYMAN DOYLE: You ultimately went in approximately August or September of '87.

MR. FOX: I think it was finished in September. It took about three months to do it.

ASSEMBLYMAN DOYLE: If the infusion of money was that important, let me ask you about the Mobil contract. The contract with Mobil Oil has been concluded, has it not?

MR. FOX: Yes, it has.

ASSEMBLYMAN DOYLE: And that contract was negotiated for some several months during 1987?

MR. FOX: I don't know whether it started before '87, but it certainly was within '87.

ASSEMBLYMAN DOYLE: Are you familiar with those negotiations?

MR. FOX: I am generally familiar with them.

ASSEMBLYMAN DOYLE: The starting position of the Authority, the starting position of Mobil, and how you got to what was ultimately done?

MR. FOX: Ultimately, Mobil was to pay us \$10 million.

ASSEMBLYMAN DOYLE: That is correct. Five million of that is to be paid before December 31, 1987.

MR. FOX: It's paid.

ASSEMBLYMAN DOYLE: Two and a half million on signing, and two and a half million on the last day of this year.

MR. FOX: As I understand it, that money is paid.

ASSEMBLYMAN DOYLE: Where was that paid to?

MR. FOX: It was paid into the general funds of the Authority.

ASSEMBLYMAN DOYLE: Was that always the Authority's position?

MR. FOX: There was some discussion during the course of the negotiation about \$5 million of it being earmarked for the Foundation.

ASSEMBLYMAN DOYLE: What is the Foundation?

MR. FOX: I am not sure of its exact name.

ASSEMBLYMAN DOYLE: I'll help you -- the Garden State Arts Center Foundation.

MR. FOX: I appreciate your help, Assemblyman Doyle. I think that's it. It is a Foundation which is exempt under the Internal Revenue Code, to which people may make deductible contributions for the use of the Garden State Arts Center's projects which are charitable in nature.

ASSEMBLYMAN DOYLE: Under the incorporation of that Foundation, are the revenues that are taken in by that Foundation limited to those charitable functions of the Garden State Arts Center?

MR. FOX: Subject to the things you have to say to get your IRS approvals, yes. I believe there is a cypres provision.

ASSEMBLYMAN DOYLE: But to get your 501 status, and whatever, you have to say you are going to limit it to that?

MR. FOX: We got our 501. What happened was, for years we had been going out to various individuals and

corporations for contributions to the charitable purposes of the Arts Center, which I can talk about, and some of them had raised questions that we didn't have our IRS letter. The reason the Foundation was formed was so that we could say, "Here's our letter. It's okay, you can deduct it."

ASSEMBLYMAN DOYLE: But, obviously, to get that deductibility and that IRS, you couldn't take money out of the Foundation and put it in the general operating budget of the Highway Authority to use for expansion, capital--

MR. FOX: Oh, heavens, no.

ASSEMBLYMAN DOYLE: Of course not, okay. Now, with all of that in mind, including the cash hungriness, the need for short-term financing, and the inability to use Arts Center Foundation money for the everyday needs of the Highway Authority--

MR. FOX: Wait a minute, that's not--

ASSEMBLYMAN DOYLE: Is that not all within what you just said?

MR. FOX: No, I don't believe so. Remember, the Arts Center isn't a charitable organization. There are things that are done at the Arts Center which are charitable. We have shows for tens of thousands of school children, to which no admission is charged. We have shows for many of the elderly, to which no admission is charged. When we have a rock concert, that is not a charitable endeavor in any sense.

ASSEMBLYMAN DOYLE: But that is not the Foundation. The Foundation is the charitable thing.

MR. FOX: The Foundation only does the charitable things at the Arts Center.

ASSEMBLYMAN DOYLE: Let me direct your attention to the March 26 minutes, particularly section 3-B, commencing on page 2, which starts: "Mobil: Grossman reported that he, together with members of the staff, has had several negotiations with Mobil with respect to the operation of the service stations on the Parkway."

Let me now skip to page 3, paragraph 3: "Mobil will pay the Authority \$10 million. Of this amount, two and a half million will be paid upon signing, and two and a half million on December 31, 1987." Let me add parenthetically that by September or October, when this was finally concluded, that had not changed evidently.

MR. FOX: The \$10 million hadn't changed.

ASSEMBLYMAN DOYLE: The \$10 million hadn't changed, nor had the method of the \$5 million payment.

MR. FOX: The schedule of the payments.

ASSEMBLYMAN DOYLE: That's right. Let me go back to the minutes. "For the mutual benefit of both parties, this \$5 million sum will be paid to the Garden State Arts Center Foundation, to be used in connection with cultural fund matters."

Now, Mr. Fox, could you tell me why your client, which was in an admittedly cash-thin basis, which was looking at short-term financing, which was talking about toll hike increases, was going to take \$5 million that would have normally gone for general operations, and socked it into a private Foundation that could not be used for those everyday needs of the commuters?

MR. FOX: They didn't.

ASSEMBLYMAN DOYLE: Ultimately they didn't, that's correct, because Mobil objected, and said they had their own-- I will cite you the reference in the April minutes: "They had their own foundation, and they couldn't do it that way." My question is, why did the Authority want it to be done that way from the beginning?

MR. FOX: Well, I'll tell you: I'm not sure of the evolution of the idea. I personally never thought it was one that was going to fly. I suspect it had something to do with the course of the negotiation; that if a contribution were made to a tax-exempt Authority, it might be easier to get more

money, and the money then in the Foundation could be used to offset what would otherwise be Authority expenditures. But, it didn't happen. It was an idea that was considered, and didn't take place. I don't understand whether the knock is that we thought of it, or that we didn't accept it, but we didn't. It wasn't done. It never happened.

ASSEMBLYMAN DOYLE: I will make it clear why it didn't happen, reading from the April 23 minutes, page 1, paragraph 1: "During the negotiations, it was agreed that this payment" -- referring to the \$5 million to be due in '87 -- "would be made by Mobil to the Garden State Arts Center Foundation. However, Mobil has now expressed a reluctance to do so. Because of its relationship with its foundation, it cannot make a contribution to the Arts Center Foundation."

So, I go back to my question -- and try to understand my position from the outside -- it would seem rather strange to me that an Authority that says it is cash thin, that needs money, that will have to increase tolls probably by the end of the year, that can't meet its regular operating budget, is going to take from one of its usual sources of revenue, \$5 million, and instead of applying it to the expected deficit, sock it into some private Foundation to run free concerts. Doesn't that seem strange to you? Wouldn't it seem strange to you from the outside?

MR. FOX: Well, I am not-on the outside.

ASSEMBLYMAN DOYLE: Well, then, explain to me from the inside -- which the public never knew about -- why that was the case.

MR. FOX: Well, first of all, I emphasize again that we are talking about something which did not happen, and which was undoubtedly doomed never to happen, because I think you're right. I think it was a bad idea. It was the kind of thing which, from your perspective -- and from mine, incidentally -- was never going to happen. It was discussed. I will give you

an analogy from my private practice. Many years ago, I had a case involving a Wall Street firm which had churned the client's money. They didn't think they had churned it; my client thought they had churned it. There were a lot of discussions. My client didn't need the money, and they didn't really need the money. The ultimate conclusion of the affair was, a rather substantial donation was made to charity. I'm sure that kind of thing has happened to you in your practice from time to time.

What I suspect happened here, was that while we were trying to get as much money as we could out of Mobil, somebody threw on the table, somewhere along the line, "Maybe some of this can be given to a charitable foundation." I don't think it was a good idea. I doubt whether a majority of the Commissioners ever thought it was a good idea. And I emphasize again, it didn't happen. I don't think anybody who ever heard of it thought it was a good idea, and the money was paid into our general funds, and it may have helped in getting the amount up to \$10 million. I don't know.

ASSEMBLYMAN DOYLE: Well, that doesn't seem to ring true, respectfully, because even after the money was not going to the Foundation, the contract stayed at the \$10 million. So it didn't change because Mobil was getting some tax advantage.

MR. FOX: Well, I didn't say that. I think what I said was, it was the kind of thing that might have been thrown on the table at some stage of the negotiation. I think obviously Mobil came to the right conclusion from Mobil's point of view. I think that these are probably deductible funds from Mobil's point of view, although maybe not immediately. They may have to amortize this over the terms of the contract. They might have been better off if they were able to get a charitable deduction at the time. I have some idea that the problem was they were reasonably close to their limits.

But, that's really not the issue. This was never going to happen. It was discussed. Now, I could say-- You know, to quibble with you, I could say, "Gee, shouldn't we consider things like this? Is it wrong to consider ideas which might be innovative and dumb? Shouldn't they at least be considered?"

ASSEMBLYMAN DOYLE: I don't want to limit the Authority's right to discuss anything that makes sense, or even anything that doesn't make sense, that would contribute to its ultimate product. My problems are twofold: One is, certain of those discussions which have been exclusively in private, should have been in public, or at least in public earlier.

MR. FOX: Oh, no, that I will disagree with you outright.

ASSEMBLYMAN DOYLE: Not as to this; some of them. Not as to the contract.

MR. FOX: No, this one-- It would have been foolish to bring this out.

ASSEMBLYMAN DOYLE: I understand that. My problem with this one, by the way -- and it is not that it was thrown on the table-- Mr. Grossman was evidently reporting in agreement in principle in March, which included this specific agreement in principle. It was only after the April meeting, when he reported back that Mobil rejected that part of that agreement in principle, that it went by the board. Now, I'm sure that did not come originally from Mobil, but came from the Arts Center. Excuse me, the Highway Authority; I don't mean to use them interchangeably. Which leaves me with a question that very honestly, Mr. Fox, perhaps you are not the best person to answer, and perhaps if I had had it when I questioned Ms. Stanley I would have asked her. That question, I think the Authority, hopefully, will answer in the next couple of days, because I am sure they will have it posed to them by the press. If you were in such bad shape, why did you even conceive of not using that \$5 million for your operations?

MR. FOX: Assemblyman Doyle, there are a couple of things in what you said. First of all, this road is not in such bad shape. You said that several times in the recent discussion. What we were, was out of cash because of construction projects. Now, you know that one of the problems with government is, when you draw a balance sheet, you only show expenses. You don't show assets. This road is not in bad shape. It has assets way, way-- It is very, very solvent. We own one of the great roads in the country, and we have very little in the way of debt.

What has happened is, we need cash, and we have ready places to get it. The market is available to us. We have the best rating of any toll road in the country presently. I hope we are able to continue to have it before this is all over. But right now, I am told that our rating is the best in the country.

Now, the idea that this \$5 million was going to solve anything, just isn't the case. This was part of a negotiation, where I think the most salient point is that the officials of the Highway Authority achieved the ability to obtain a \$10 million payment from Mobil for the contract on these gas stations. From my perspective, they did a hell of a job. The people who negotiated that did one wonderful job in getting \$10 million into the coffers of the Highway Authority, \$5 million of it up-front.

As part of that, there was some discussion along the way as to whether \$5 million should go into a charitable Foundation or should go directly to the Authority. In my opinion, I don't think there was any great relevance to it, and I never thought it was going to happen.

ASSEMBLYMAN DOYLE: I'm glad Mobil made sure that it didn't.

MR. FOX: I don't think Mobil made sure that it didn't. I don't think that is a fair characterization. I

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think that Mobil ultimately said no, but I don't think we would have done it.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Doyle. Mr. Fox, I have one more question, and I think that will probably be it. It is a question that I waited until the very end to ask you. I want you to turn your attention to the minutes of March 26, 1987. Your minutes reflect -- on page 1--

MR. FOX: Yes, sir.

ASSEMBLYMAN SCHUBER: --number 1, financing--

MR. FOX: Yes, sir.

ASSEMBLYMAN SCHUBER: --Chester Johnson being present again. Right?

MR. FOX: Yes, sir.

ASSEMBLYMAN SCHUBER: "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 increase was not made public until after the first week in November, 1987."

MR. FOX: Yes, sir.

ASSEMBLYMAN SCHUBER: That is what the minutes reflect.

MR. FOX: They do indeed.

ASSEMBLYMAN SCHUBER: Okay. Now, there has been a considerable amount of focus on this as to whether this was, in fact, what the Governor had said to Mr. Johnson, or the Governor had indicated, and that became part of these minutes. Mr. Johnson was at the prior meeting of this Committee. He testified that, no, that was his statement, not the Governor's statement.

MR. FOX: Yeah.

ASSEMBLYMAN SCHUBER: "That the toll increase not be made public until after the first week of November, 1987." Mr. Johnson indicated to this Committee that that was his statement, and that the Governor never said that. The minutes would indicate something different than that.

MR. FOX: Incidentally, to make it clear, I recall very specifically that Mr. Johnson did not say that he had spoken to the Governor, but had spoken to representatives of the Governor. I believe the minutes are consistent with that. He had received confirmation from the Governor, but it was not directly from the Governor. I don't believe he said-- I don't believe he talked to the Governor. I don't know whether he talked to the Governor.

ASSEMBLYMAN SCHUBER: He has indicated that he didn't.

MR. FOX: He talked to representatives of the Governor, and I believe this report, again, though not elegant, is fully consistent with what he said. My memory is clear that he said he spoke to representatives of the Governor.

ASSEMBLYMAN SCHUBER: Who of those individuals--

MR. FOX: I don't know who they were.

ASSEMBLYMAN SCHUBER: I mean, not naming persons, but the representatives of the Governor, or Mr. Johnson, stated that that increase should be held until the first week of November, 1987.

MR. FOX: I heard it this way.

ASSEMBLYMAN DOYLE: And Mr. Weinstein and Ms. Stiefel and Mr. Zilocchi never told you, right after they got copies of the March minutes from your office, that they disagreed with that recitation of the minutes?

MR. FOX: That is so, and I have said it before.

ASSEMBLYMAN SCHUBER: Mr. Johnson himself-- Do you recollect whether Mr. Johnson ever said that he said this himself -- that Mr. Johnson said this, that this increase should be held until the first week of November, 1987?

MR. FOX: As I heard it-- As my memory is, and I do not claim to have perfect recall, the minutes reflect what was said at the meeting.

ASSEMBLYMAN SCHUBER: That is all I have. Mr. Fox, thank you very, very much. I appreciate your cooperation with

the Committee. I appreciate that you are the attorney for the Authority, and not the Commissioners of the Authority. But, we appreciate your answering the questions as candidly as you could. We appreciate that very much. Thank you.

MR. FOX: I thank you, Assemblyman Schuber. I hope, Assemblyman Doyle, that if in my answers I have become vehement, it is because the position of a witness is unaccustomed to me; I am more usually in the position where you find yourself, where I am able to ask the questions. I did not mean to--

ASSEMBLYMAN DOYLE: I think being on that side, your devotion to a longstanding client is understandable.

MR. FOX: I'm glad you said that, because it gives me the opportunity to tell you what a good client it is, what good people they are, and how hard they are trying for the people of this State.

ASSEMBLYMAN DOYLE: I don't question or doubt that, but there is room for honest disagreement.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Fox.

MR. FOX: Thank you, gentlemen.

ASSEMBLYMAN SCHUBER: I am going to ask Mr. Julian Robinson, Treasurer of the New Jersey Highway Authority, to come up, please. Good afternoon, Mr. Robinson. Do you have an opening statement you would like to make?

JULIAN K. ROBINSON: Yes, I do.

ASSEMBLYMAN SCHUBER: Certainly. Please go ahead.

MR. ROBINSON: This is a statement being made by me in my role as a member of the New Jersey Highway Authority for the past six or seven years, as its Treasurer.

My recollection of discussions of a possible toll increase for users of the Garden State Parkway, is based on my review of minutes of monthly exempt meetings of the New Jersey Highway Authority during the period of January 1, 1984 through November 19, 1987. These minutes are taken and prepared by the

legal counsel to the Highway Authority. It is my understanding that copies were officially released to the press and to others by the Highway Authority within the past month.

My review indicates that a toll increase was discussed or mentioned during exempt meetings of October, 15, 1984, August 28, 1986, October 30, 1986, January 22, 1987, February 26, 1987, March 26, 1987, April 23, 1987, October 22, 1987, and November 19, 1987.

My review further indicates that the subject of short-term financing by the Highway Authority directly related to a toll increase was discussed during the exempt meetings of May 28, 1987, June 25, 1987, August 27, 1987, and September 27, 1987.

Most significantly, my review indicates that: One, a toll increase proposal was submitted to "representatives of the Governor" by August 28, 1986; two, that information regarding a toll increase was submitted to "the Governor's office and the DOT" by October 30, 1986; and three, that the Governor had approved the proposal with certain stipulations by January 22, 1987. These stipulations are alluded to again in the minutes of February 26, 1987 and March 26, 1987.

I wish to make it clear that as a member and Treasurer of the Authority, I have satisfied myself that the increase, the first in 33 years of the Parkway's existence, is necessary and essential if the Authority hopes to continue to adequately meet and serve the needs of New Jersey's motoring public. I, in fact, moved the resolution to implement the proposed schedule of increases at our public meeting of November 19, 1987, and again at our public meeting of November 30, 1987.

What I continue to resent deeply, however, is the arrogant and shabby manner in which the increase has thus far been effected. I made my feelings known to Highway Authority Chairman Judith Stanley and Executive Director George Zilocchi in my hand-delivered letters of November 29, 1987 and December

11, 1987. For your review, I enclose copies of these, with copies of the minutes described above.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Robinson. I assume you will make a copy of that statement available for our record, please.

MR. ROBINSON: It's here.

ASSEMBLYMAN SCHUBER: Okay. Let me ask you this: You have indicated that recommendations with regard to a toll increase were made available to the Governor's office -- or representatives of the Governor's office -- as early as August 26, 1986. Is that correct?

MR. ROBINSON: That is what our minutes indicate.

ASSEMBLYMAN SCHUBER: Can you tell us what happened at that time?

MR. ROBINSON: Taking from our minutes-- As you know, there has been a Governor's Authorities Unit which has existed since, I believe, 1985 or 1986. Since mid-1986, a representative -- or since early 1986, a representative of that unit has attended our meetings, and in mid-1986, at her request, she has been admitted since to attend our private sessions.

We have, as we moved, in 1986, to another consideration of a toll increase, provided, I presume at the request of the Authorities Unit, the information and reports on which we were basing our considerations of such an increase. I believe that is what is meant in the minutes when they say, "The proposal was made available to representatives of the Governor."

ASSEMBLYMAN SCHUBER: In essence, the proposal you are talking about is the proposal for the present toll increase we are talking about?

MR. ROBINSON: Essentially the present one.

ASSEMBLYMAN SCHUBER: So, information on that was provided in August, 1986 to representatives of the Governor's office?

MR. ROBINSON: Right.

ASSEMBLYMAN SCHUBER: On August 30, 1986, what further happened?

MR. ROBINSON: By August 28, the toll increase had been provided-- The proposal had been provided to representatives of the Governor. More information regarding the toll increase was submitted to the Governor's office and the DOT by October 30, 1986.

ASSEMBLYMAN SCHUBER: So, the Department of Transportation also received information on the toll increase?

MR. ROBINSON: That's right.

ASSEMBLYMAN SCHUBER: Do you know what information they received?

MR. ROBINSON: I can only assume from the minutes that it was the highlights of our projected toll increase.

ASSEMBLYMAN SCHUBER: Would that include the proposed capital projects?

MR. ROBINSON: Probably an allusion to the capital projects as creating the need for such an increase.

ASSEMBLYMAN SCHUBER: Now, by January 22, 1987, you indicated the Governor had given-- Let me ask you this: You had given a date of January 22, 1987 as involving the Governor. What was your wording on that?

MR. ROBINSON: By January 22, our exempt meeting minutes show that it was reported by the Chairman that the Governor had given approval to a ramp and barrier increase, with certain stipulations. He had done this, in my view, at a meeting in his office on January 7, 1987.

ASSEMBLYMAN SCHUBER: Had you participated in that meeting?

MR. ROBINSON: I did.

ASSEMBLYMAN SCHUBER: Okay. Who was present for that meeting?

MR. ROBINSON: Present were the Governor, the Chief of his Authorities Unit, Jim Weinstein, the Executive Director of the Highway Authority, George Zilocchi, the Chairman, Judith Stanley, the Vice Chairman, Lionel Levey, the Secretary, Richard Sambol, and the Treasurer, myself, Julian Robinson.

ASSEMBLYMAN SCHUBER: What was discussed at this meeting?

MR. ROBINSON: It was a meeting of perhaps 45 minutes to an hour in length. The sole agenda item was the toll increase. By that time, we had submitted to the Governor, through members of the Authorities Unit, our proposal.

ASSEMBLYMAN SCHUBER: That was back in August?

MR. ROBINSON: That had been back in August and October. The meeting had been set up, by my recollection, to perhaps respond to questions by the Governor, and hopefully to get his approval for the increase we were seeking.

ASSEMBLYMAN SCHUBER: The proposal we see today for a toll increase-- Was that presented to him at that point?

MR. ROBINSON: There may have been some changes since, but in essence that was the increase. The basic increase would have been the 50 cent increase -- an increase from a quarter to 50 cents for cars, with a discounted token of 35 cents.

ASSEMBLYMAN SCHUBER: A 35 cent token. What did the Governor say at that time?

MR. ROBINSON: I am reluctant to put words in anyone's mouth at that meeting, except myself. One of the initial statements made was by me as Treasurer. I remember it well, because I have used it so often. I quoted an old Chinese proverb that says, "Unless we change our direction, we may reach where we are headed," indicating that-- I hope the analogy was clear that unless we got a toll increase, we were headed for serious difficulties.

George Zilocchi had brought along an easel with several charts. He and the Chairman made the major

presentation. There was discussion back and forth. There was advice to the Governor by Jim Weinstein about the timing of such an increase, and out of this 45-minute discussion came my distinct impression that a ramp increase was approved immediately if we wanted to pursue it, but that a barrier increase would not receive the Governor's approval until the end of 1987, and at one point the phrase, "after November, 1987"-- At several points it was used.

ASSEMBLYMAN SCHUBER: By whom?

MR. ROBINSON: By several people in the room. We, as all political people in that room -- I think it is safe to say that you know that none of us in the room at that meeting got our jobs through The New York Times -- knew what was being specified when November kept cropping up.

ASSEMBLYMAN SCHUBER: What did you take it to mean?

MR. ROBINSON: It meant not until after November 3, 1987, which was the date of the legislative elections.

ASSEMBLYMAN SCHUBER: In your opinion, from what you knew, what was the reason for that -- not to make it an issue in the election, or what?

MR. ROBINSON: Precisely.

ASSEMBLYMAN SCHUBER: Did you all agree to that being the case?

MR. ROBINSON: Since no one objected to it-- You have to remember that -- as Marty Fox has described -- this most powerful Chief Executive in all of the 50 states-- We were there as supplicants from an autonomous agency seeking something we need badly, mindful of his role. Nobody objected. We agreed tacitly by our silence. We left-- I can only speak for myself. I left disappointed that an election would have to be the determining factor in the timing of our increase, which I felt, and still feel, we need badly.

ASSEMBLYMAN SCHUBER: Did the Governor himself utilize the term, "after Novemer 3, 1987"?

MR. ROBINSON: I am reluctant to put those words in his mouth. I can attribute them to James Weinstein, however.

ASSEMBLYMAN SCHUBER: Did you attend any other meetings with the Governor after that time to discuss the toll increase?

MR. ROBINSON: I did not.

ASSEMBLYMAN SCHUBER: At a prior meeting of this Committee, Mr.-- Do you know Mr. Chester Johnson?

MR. ROBINSON: I do.

ASSEMBLYMAN SCHUBER: At a prior Committee meeting here, Mr. Johnson indicated that it was he who had given the advice that the toll increase should be held over until after November 3, 1987, because of the fact that if you embroiled it in the middle of an election, that may cause it to receive either short shrift, or whatever the case may be. Mr. Johnson has testified that that was his recommendation to the Authority, and not the Governor's or anybody else's. What is your comment on that?

MR. ROBINSON: My recollection, particularly from those meetings which you have discussed this morning, having reviewed the minutes of those meetings throughout the weekend, is that they are essentially extremely accurate.

ASSEMBLYMAN SCHUBER: The minutes are accurate?

MR. ROBINSON: Yes. I know of no meeting between Mr. Johnson and the Governor.

ASSEMBLYMAN SCHUBER: I don't believe there was. But, do you recollect Mr. Johnson ever giving that advice to the Authority about putting the toll increase off until after the election, because of the problems an election could cause to that issue?

MR. ROBINSON: Oh, no. We came back -- and I say we, our Chairman, Executive Director, and the officers -- came back to our meeting of January 22, where the Chairman indicated to those who were not there that we had secured the Governor's

approval for a ramp increase immediately, but that a barrier increase could not be approved by the Governor -- would not -- until after November, 1987. I believe that is when Mr. Johnson first learned of that, and thereafter he probably used that as-- I can't imagine that he, at any point, dreamed it up on his own.

ASSEMBLYMAN SCHUBER: Mr. Robinson, several other questions then. The issue of the ramp increase and the barrier increase-- Why did the Authority put off the ramp increase?

MR. ROBINSON: I don't recall whether we stayed, or on our way out of the Governor's office had a discussion among ourselves -- we might have -- but I know the first time we, as a group, got together again was on January 22. I, for one, joined my colleagues in the decision that to do it piecemeal would be to court disaster. We felt that a ramp increase would cause a kind of mini furor, which might preclude, ultimately, any sort of barrier increase. I don't think there was any large discussion or argument over putting it all together. That was a unanimous choice.

ASSEMBLYMAN SCHUBER: You have indicated that you fully support the decision for a toll increase. You have also indicated that you deplore the shabby way that this was handled. How should this have been handled, and how better could this have been handled?

MR. ROBINSON: Well, I've got to give you some background as to when my unhappiness started. I can't say that I left the Governor's office on January 7 feeling, "My God, we've entered into a conspiracy to deceive the public." It was a political decision. As a politician of 27 years, it was one I was familiar with, and recognized when it was made. My unhappiness started to develop during the fall out of other experiences I had at the Authority. But, when I arrived at our meeting of November 19, I learned that the format of our regular meeting had been changed. On the one hand, to my

knowledge, none of my fellow Commissioners had been consulted about how we staged the scenario for this momentous event. I think they were as much in the dark as I was, in learning that we would have our exempt meeting, we would go into our regular public session and conduct our business, including voting on the resolution to initiate the toll increase, we would adjourn the meeting, and the press would be allowed its normal period immediately to ask questions on any other item but the toll increase. And that the press conference for the specific purpose of allowing questions from the press about the toll increase would be held about an hour later, in a motel some mile and a half distant from the Authority, and that with the exception of the Chairman, the other six Commissioners were being discouraged from attending.

I would not have done it that way. I would have alerted the public, through a press release, or perhaps through a press conference. I would have ensured a large enough auditorium for the public to be accommodated, and I daresay I would have allowed ample time for the public to discuss the motion before our ultimate vote.

ASSEMBLYMAN SCHUBER: But in the end, you're satisfied with the request for a toll increase. Is that correct?

MR. ROBINSON: I am satisfied that it is needed.

ASSEMBLYMAN SCHUBER: Why?

MR. ROBINSON: I've read all of the reports of our Comptroller, our Chief Engineer, who essentially is in charge of our capital improvement projects for the next 10 years. I recognize the impact of growth on the road during the last 10 years. I know what it will be like, or I assume what it will be like if we are unable to widen the road, as our traffic consultants indicate a need for such widening. I sense that to not have a toll-- I am mindful that tolls have not been raised in the 33 years of the Parkway's existence. I doubt that there is any service or commodity in this country that can point to a

record of stability like that. I see no other way out, other than reaching a point where we create serious traffic problems by stopping capital construction projects at some point in the next five years, that will ultimately lead to a deterioration of the safety factor of the road.

ASSEMBLYMAN SCHUBER: Is it possible for the Authority to conduct its business and to operate its roadway on a much lesser scale as far as its proposed capital projects are concerned, and, therefore, do with a lesser type of a toll increase?

MR. ROBINSON: Mindful that I am a lay Treasurer, I think that is a good question for our Chief Engineer. I would like not to second guess him in the matter. He says we cannot.

ASSEMBLYMAN SCHUBER: Has the Authority talked about a lesser type toll increase at all, to your knowledge? Did it ever discuss less than 50 cents, with a discounted 35 cent token?

MR. ROBINSON: We discussed, sometime during the last year, several alternatives. The 35 cent across-the-board toll was strongly advised against by our traffic consultants because of the alleged traffic problems it would create with a two-coin system. Martin Fox alluded to a 2% or 3% penetration. Without a discounted token, I understand from my most recent conversation Friday with our Comptroller, we have a 4% penetration with a non-discounted token now. We doubt very seriously that that will get any higher, unless we can offer a discounted token.

ASSEMBLYMAN SCHUBER: With regard to the issue that has arisen about the short-term financing that was undertaken by the Authority during the course of the year, as opposed to the long-term financing, did you agree with that decision, and what were the reasons for it?

MR. ROBINSON: I agreed with it; I voted for it. The reason for it, quite simply, was to give the least amount of

public visibility to our need for money. Going the long-term route would have, undoubtedly, by our experts' advice, brought into public view the matter of the toll increase, and this was not desired.

ASSEMBLYMAN SCHUBER: Why wasn't that desired?

MR. ROBINSON: I have to paraphrase Vince Lombardi, who allegedly used to say about winning that, "Winning isn't everything; it's the only thing." Within my experience of the last year, from January 7 to the present, my strong feeling about the timing of the toll increase -- the announcement of the toll increase -- is that, among criteria that dictated its timing, the election of 1987 wasn't every criteria; it was the only one.

We have, during our exempt meetings, heard our Chairman and our Executive Director during the past year, continually refer to the fact that we cannot raise the barrier tolls prior to the elections of 1987. That is a fact, and it was accepted as a fact.

ASSEMBLYMAN SCHUBER: Who said that?

MR. ROBINSON: Both our Executive Director and our Chairman have at times during our exempt meetings made statements of that nature. The "silly season" has been referred to, meaning campaign time. It was an anathema to think of making a public announcement of a toll increase prior to November 3, 1987, and the short-term financing was agreed on as the measure which would make such a public announcement least possible -- or public scrutiny least possible.

ASSEMBLYMAN SCHUBER: Did the short-term financing, though, make an increase in the toll almost a necessity?

MR. ROBINSON: It commits us to pay it back by June, 1988. It made at least a ramp increase necessary.

ASSEMBLYMAN SCHUBER: You said it was necessary, right?

MR. ROBINSON: Necessary.

ASSEMBLYMAN SCHUBER: So, if the scenario was to keep this issue of a toll increase invisible to the public for that period of time, and at the same time to undertake short-term financing in doing that, then, in essence, what you were doing was making a toll increase almost mandatory, from your point of view, by the end of this year or early next?

MR. ROBINSON: At least at the ramps.

ASSEMBLYMAN SCHUBER: At least at the ramps?

MR. ROBINSON: Right.

ASSEMBLYMAN SCHUBER: In hindsight, do you agree with that now, or not?

MR. ROBINSON: Hindsight is always 20/20.

ASSEMBLYMAN SCHUBER: True.

MR. ROBINSON: Martin Fox indicated -- or someone indicated; I believe one of your colleagues may have indicated -- that he thought the public might have been deprived of an opportunity to participate in discussions about the toll increase. I don't think they have so far, given our revised schedule and the public hearings we will have, been deprived of that opportunity. I think what the voting public was deprived of during the past spring, summer, and fall, was the opportunity of reviewing our need for a toll increase and putting it into the mix, or the consideration which dictated their votes in 1987. To that extent, in hindsight, I don't agree with it.

ASSEMBLYMAN SCHUBER: What concerns me, Mr. Robinson, is simply this: I appreciate the fact that as a result of the furor, the Authority will now conduct four public hearings, as opposed to two public hearings. But, as I was indicating to Mr. Fox before, the fact is that the actions that have taken place, and your projections, would make it clear to me that from your point of view, regardless of what the public may say at the public hearings in January, it is almost a fait accompli, there has to be a toll increase. That is what you're telling us, and what you're telling the public, really.

MR. ROBINSON: Again, I come back to the ramps. It would seem like a ramp increase is already cut in stone by virtue of our long-term financing.

ASSEMBLYMAN SCHUBER: So, this aspect is really after the fact -- I mean, your taking the public's input.

MR. ROBINSON: For the ramps.

ASSEMBLYMAN SCHUBER: You will be taking the public's input, but in essence you're saying that in the end, regardless of that, there is going to have to be a toll increase. Is that correct?

MR. ROBINSON: That's right -- at the ramps.

ASSEMBLYMAN SCHUBER: I think that is part of the problem I am having with this whole thing. In the end, the public participation in this, however it is built into the process, is really meaningless.

MR. ROBINSON: Part of it is meaningless. Perhaps the part that focuses on the need to double the tolls at the barriers may be meaningful, but that is conjecture at this point.

ASSEMBLYMAN SCHUBER: Well, I think what I was going to indicate to Mr. Fox, but I would indicate to you, is simply this: I appreciate what the process is, and what the statute requires for these types of things. But I think that what is happening here is, the public is being treated -- you know, is kind of being treated outside the process here. I'm not sure how intentional it is. It is neglect. I mean, they are just not figured in on this at all. The procedures that we allow for them at the end are so that they can vent their spleens and discuss the fact that they don't like it, but it means nothing.

MR. ROBINSON: I'll offer a reaction that certainly wasn't requested by you. I think that in line with your reasoning, we at the Highway Authority, and perhaps other autonomous agencies, have grown sloppy for lack of close scrutiny. I don't think anyone sat down and plotted this out,

but we have grown sloppy, and perhaps there will be some good ultimately to come from the controversy surrounding this now.

ASSEMBLYMAN SCHUBER: Well, we always hope that there will be some good come out of all of these meetings. I will be honest with you. I don't believe in my heart that this was a convention of Darth Vadars sitting down and discussing the fact that, "We will get the public and we will raise the toll." That is not in my mind. The fact of the matter is, however you viewed it, and however your individuals viewed it, you indicated you think in the public good -- for the public good -- this should be done. All right, I understand that, from your point of view.

My problem with that whole scenario is simply this: These decisions are being made for the public -- in essence, for the public good -- without their input whatsoever. If this had been a legislative proposal that would have been done for the Department of Transportation, somehow it would have come out in either the Governor's State of the State or it would be made part of a statement by the Commissioner of Transportation. It would become a legislative proposal to be debated back and forth, and the public would have its input with regard to that, believe me, as they do in other issues.

But, what has happened here, with these types of independent authorities -- and I am using this particular Authority as one example-- What is happening is, you are discussing this-- You folks are discussing this for time immemorial as to whether you need it or not -- and maybe you do need it-- You are discussing it back and forth, and you have your experts come in and say, "We have this many capital projects and this is the way we fund them," and all this kind of stuff is done. You implement strategies and you implement programs that in the end make what you want to do a fait accompli. There is really never any debate about it, outside the confines of your own Authority.

As I indicated in the beginning -- I think it was just a few minutes before you came in, Mr. Robinson -- yeah, I agree with you: Independent authorities have grown too independent. They have taken that independence to mean exactly that; that they can do as they see fit for the public good. I am not so sure that in today's day and age in this State that that is going to have to be the guideline for these authorities any longer. Right now, the focus is on the Highway Authority because of this particular issue, but in a day and age when we are talking about a State Planning Commission that is supposed to plan for the State, we're talking about a Transplan that is supposed to plan regionally for transportation, I don't see how we can leave authorities like this outside the purview of that, doing as they see fit for their jurisdiction, without somehow integrating it all into some central plan, and somehow taking in the public input. I just don't see it. Even the State Planning Commission, even though the Legislature has some problems with that, has a number of different ways for the public to input on that as it goes along, from the local government all the way up.

The answer to your question is simply this: I am hoping that some good will come out of this, absent the issue of this toll increase; that somehow we can bring some greater authority and responsibility to the authorities like that. That will be the goal in 1988.

Assemblyman DiGaetano?

ASSEMBLYMAN DIGAETANO: Mr. Robinson, I sincerely appreciate your candor in answering these questions, and I would concur with you completely that the manner in which this whole matter has been handled has been deplorable. I won't even go into that any further than we have in this hearing and in the past hearing, but I would like to discuss a couple of other issues, if you can take the time.

Regarding the ramp toll increase, was there ever any mention that since there are currently ramp tolls that are 10 cents, 15 cents, and 20 cents, to increase them accordingly, rather than just increase all ramp tolls to a quarter, or what have you? Was there any discussion of that?

MR. ROBINSON: To my knowledge, if there was discussion, it was done among our consultants, perhaps with our executive staff. But, to my recollection, it was not done with the Authority in a meeting.

ASSEMBLYMAN DiGAETANO: Can you speculate, then, or can you tell us what reasons were given as to why the ramp tolls should all be increased to the same amount of a quarter, rather than according to what their rates are now?

MR. ROBINSON: To the best of my recollection, the decision was dictated by the ease with which a quarter or a 35 cent token could be collected. I think if you talk to the toll consultants, they will indicate that the day of the two-coin toll, we hope, is behind us. That creates serious traffic problems at times.

ASSEMBLYMAN DiGAETANO: Well, I can understand that, to a degree, but here we have an instance where there are currently odd coins, if you will -- not tokens or quarters -- being used in many cases. I don't know how you would get a 15 cent toll, other than with two coins. The same with a 20 cent toll. I don't know how you would get that, other than with two coins. But what we're saying here is, now we are going to eliminate that, and for ease--

MR. ROBINSON: We are going to make it uniform.

ASSEMBLYMAN DiGAETANO: --of passage, if you will, make it a uniform quarter. I don't happen to agree with that.

The other question I would like to have you address is-- We discussed at an earlier meeting the serious disparity in cost per mile to the user between the northern portion of the highway and the southern portion of the highway. In this

discussion of a toll increase, was there ever a discussion as to making the charges, or the per-mile charges for all sections of the roadway uniform?

MR. ROBINSON: Again, I hate to defer, but as a lay member, that is a question for our traffic consultants and our executive staff. To my knowledge, I don't remember such a discussion.

ASSEMBLYMAN DiGAETANO: The only other question I have then, sir, is, with regard to the projections for revenues with this projected toll increase, it is my understanding that the Authority expects to have somewhere between 75% and 80% of those who use the toll road purchase and use discounted tokens. Would you agree then, sir, that that is many, many times, probably 30 or 40 times, the number of people who are currently purchasing tokens? I understand that they are not discounted. But, more importantly, the Authority's projections of token users is not only many times in excess of those current token users, but is also in--

MR. ROBINSON: Those current token users without a discount?

ASSEMBLYMAN DiGAETANO: Right. But is also in excess of the total amount of users who use automated toll lanes.

MR. ROBINSON: This question was, in fact, asked several times to our toll consultants, who pointed out to us, and I hope will to you, their experience on other toll roads, where with a discounted token, the usage multiplies to that extent.

ASSEMBLYMAN DiGAETANO: Well, I would agree that the usage multiplies, Mr. Robinson, but to expect that more people will use tokens than currently use automated toll lanes, I think is so conservative an estimate, as far as revenues are concerned. I believe that is done purposely. I believe you will not see more than half of their projection use tokens, which would significantly increase the toll roads revenues by

having people pay at the barrier tolls far in excess of the 35 cents that has been projected. So it would, as has been done in the past -- over the past 33 years -- create substantial surpluses in revenues over operating costs.

MR. ROBINSON: You think that would be a purpose then?

ASSEMBLYMAN DiGAETANO: Well, I think it is preposterous to think that we would have that many, again, more token users than currently use automated toll lanes on the road. If you went to 100% of the current users of the automated toll lanes, I think that would be a very assuming position to take, but to go further than that, I think only-- Well, I think I have made my position clear. It is creating very, very conservative revenue estimates. It is my belief that that is done purposely so as to have more significant surpluses in the future years.

Thank you, Mr. Robinson.

ASSEMBLYMAN ZANGARI: May I just ask Mr. Robinson--

ASSEMBLYMAN SCHUBER: Assemblyman Zangari.

ASSEMBLYMAN ZANGARI: On January 7, 1986, who was present at that meeting -- Mr. Weinstein, the Governor--

MR. ROBINSON: The Governor, Mr. Weinstein, Mr. Zilocchi, the Executive Director, the Chairman of the Authority, Judith Stanley, and her three officers. There were seven persons.

ASSEMBLYMAN ZANGARI: Was that an advertised meeting?

MR. ROBINSON: Oh, no, that was a meeting scheduled, as I recall, at the Authority's request, for an opportunity to discuss our projected increase with the Governor.

ASSEMBLYMAN ZANGARI: But wouldn't that be in violation of the Sunshine Act?

MR. ROBINSON: I would assume, since it was a quorum of the Authority -- which is four members -- that technically we were in violation of the Sunshine Law.

ASSEMBLYMAN ZANGARI: Mr. Weinstein made a comment on the tolls -- to defer until after November 3?

MR. ROBINSON: His recommendation was to not increase the barrier tolls until after November, 1987.

ASSEMBLYMAN ZANGARI: Was the Governor present when he made that statement?

MR. ROBINSON: All seven of us were present throughout the meeting.

ASSEMBLYMAN ZANGARI: And the Governor made no comment after he made that suggestion?

MR. ROBINSON: Not to my recollection.

ASSEMBLYMAN ZANGARI: Thank you.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Robinson. That is all the questions I have. I appreciate your candor.

MR. ROBINSON: Okay. Thank you for your time.

ASSEMBLYMAN SCHUBER: I think our next witness, and our last witness for the day, is Mr. Sam Perelli, United Taxpayers of New Jersey. Is Mr. Perelli here? (affirmative response)

S A M U E L P E R E L L I: Mr. Chairman, I might as well do my dog and pony routine, just like the Garden State Parkway did when they announced this thing. This is to show you that this is what we are doing -- (Mr. Perelli hands out material to Committee members) -- to dramatize what is happening to the family of commuters on the Garden State Parkway. I don't know whether any of you have had a chance to fondle one of the new tokens, but here is a new token, and you can fondle it while I am speaking with you. I would like it back, because I don't think there are too many of them the public has seen, except for the Director holding it up. You can see that their intent is very serious.

I don't have any prepared statement. I don't normally have a prepared statement.

ASSEMBLYMAN SCHUBER: Why don't you just tell us what you feel about this thing, and why?

MR. PERELLI: Well, one of the reasons the United Taxpayers of New Jersey got involved in this thing-- By the way, we were the first to be involved. I certainly hope that some of the organizations that represent themselves as looking out for the public interest, will finally decide that, in fact, they better jump in -- people like the Business and Industry Association, the New Jersey State Chamber of Commerce, which has fought the public's right to place public questions on the ballot and to challenge what is happening right here. It is called initiative and referendum. I have spoken many, many times on that subject.

The reason that United Taxpayers is involved in this argument right now, is that this is the best example that anyone in this State could make for the citizens having a right to petition, and have that petition have the force of law on a situation where an organization that is a franchisee of the State of New Jersey, which, by the way, has more public authorities than any state in the nation-- I make that statement publicly to every press person I know, and I have yet to be challenged. We have more public authorities in this State than any state in the nation. I believe that every one of them is out of control. Every one of them is operating with a "Public be damned" attitude; with a "Don't confuse me with the facts; our minds are made up."

When we first heard about this, we couldn't believe that the good Governor of this State would participate in secret meetings, and here we have a Sunshine Law in this State. In fact, it has been violated. In fact, they come around with this, "The sky is falling" routine -- the Chicken Little routine -- "The sky is falling," the old accounting principle, "Let's establish a number, and let's back into it."

I thought we had people in this State who were appointees who were honest, who were people who didn't have just politics as usual in mind. Here we see an organization --

the New Jersey Highway Authority -- which has become a 173-mile trough. They want to raise the tolls to make it deeper and wider, so that more of special interest people can feed from it. Who are they? The former Governor of this State, who at one time vetoed a raise for the Turnpike, saying it was excessive-- But he's eating at it. He does their counseling work, to the tune of thousands of dollars, I'm certain.

The public relations firm of Ailes Communication, which assisted the Governor in his reelection bid -- quite handsomely repaid by dipping into the trough. And we see accounts of many engineering firms that are doing work for certain municipalities, which are also being paid by the Parkway Authority to do landscaping work. We see, according to the news reports, that half of the town of Middletown, who are friends of Judith Stanley, are on the payroll.

What in the name of God is going on in this State? Do we have any oversight? Is anyone in charge? One man in this State will control a 100% toll hike. No oversight. Who's in charge? Who's in charge? If you would have had this hearing on a Saturday morning, there would have been a thousand people here. We just did a demonstration out in front. We were lucky that we were able to get four or five people out, because people are hard-working people. They can't come down here during the week. Most of the people in this room are being paid to be here. I am not being paid to be here. I am fortunate that I am able to take some time from my business to volunteer for this organization.

I am asking you to demand of the Governor that he veto this. Don't even consider this tax hike. Notice I said "tax." There is no difference between this toll hike and a tax. It is a 100% increase in taxes. You know, we are given to believe that this franchisee, who is telling us, by the way, how to run the franchise -- telling us how to run it, the good people of the State of New Jersey, the good faith and credit of

this State-- They are putting the good faith and credit of this State in jeopardy, saying, "Don't confuse us with the facts. Our mind is made up."

I believe it is about time that we rein in, and have a complete investigation of every public authority in this State, because I believe, ladies and gentlemen, that what you are seeing here is the tip of the iceberg. I believe it is being done by every public authority. In our view, as a taxpayer organization, public authorities, for the most part, are set up so that they can circumvent the normal taxpayer control, because none of you -- none of you -- have anything to say about what that Parkway Authority did, and you're elected representatives. There isn't one person who has made this decision that affects thousands of Parkway users -- the family of Parkway users -- who we can grab onto and say, "Hey, we helped to elect you. We are going to get you at the next election." Forget that, "Vote the bums out."

You can't even do that. You're looking at a frustrated person. I hope I am expressing the frustration of many thousands of people in this State who could not be here today, for they may have had a gallows out in front.

Thank you for your time.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Perelli. I appreciate your being here.

MR. PERELLI: May I have-my token back? I want to--

ASSEMBLYMAN DiGAETANO: I have a question.

MR. PERELLI: Oh, I'm sorry.

ASSEMBLYMAN DiGAETANO: Mr. Perelli, this is a very interesting token. We have seen pictures of it, or a rendering of it.

MR. PERELLI: You saw pictures of it, yes. Now you can feel it.

ASSEMBLYMAN DiGAETANO: I won't ask you where you got it; I don't really care. But, what I would like to know is, do

you know if the make-up of this particular token is substantially similar to, or identical to, any current token being used either in New York or New Jersey? There has been some discussion--

MR. PERELLI: It has a New York City glitter to it, doesn't it?

ASSEMBLYMAN DiGAETANO: Well, there is some discussion that this might be very similar, if not identical, to a toll that is used in the subways, or someplace else in New York.

MR. PERELLI: I understand that the Metropolitan Transit Authority has quite a few that are very similar to it.

ASSEMBLYMAN DiGAETANO: Have you heard anywhere that this might possibly pass through one of those machines as a bona fide token would?

MR. PERELLI: As a dollar.

ASSEMBLYMAN DiGAETANO: Well, a token that costs a dollar, let's say.

MR. PERELLI: Yes.

ASSEMBLYMAN DiGAETANO: So, interestingly enough, there might be those who would purchase substantially more Garden State Parkway tokens than they would use, in order to get a substantially greater discount at some other toll machine.

MR. PERELLI: Sounds like a good cottage industry to me.

ASSEMBLYMAN DiGAETANO: You're right. Thanks. Here's your token.

MR. PERELLI: I might also add, I think one of the outrages that most people should feel -- and I think they do feel, but they have difficulty expressing it -- is the fact that a lot of this stuff was orchestrated by people who are residents of New York City, telling us in New Jersey what they are going to do. I am personally outraged over that.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Perelli. You may have your token back, and I guess in the interim you could use it in New York.

MR. PERELLI: I intend to frame it, because I believe that the Governor, being the political animal he is, doesn't want to have the toll hike branding him like Brendan Byrne was branded for the income tax.

ASSEMBLYMAN SCHUBER: We appreciate your being here and cooperating with the Committee.

Ladies and gentlemen, this will conclude the testimony today. This will probably be our last hearing with regard to this issue. This Committee will consider a report and resolution sometime in the latter part of the first week in January.

Thank you, everybody.

(MEETING CONCLUDED)

APPENDIX

To the family of Parkway Commuters:

G.S.P TOLL HIKE

Just Say NO!!!

1. Paint all coins and tokens RED
(nail polish)
2. Tie red ribbons on your cars
3. Contact Gov. Kean and State Law-
makers

Gov.'s Phone #609-292-6000—2471

Any questions?? Call 201-890-0271

or write: **U.T.N.J.**

P.O. Box 103

Cedar Grove, NJ 07009

Please reproduce this flyer!

My recollection of discussions of a possible toll increase for users of the Garden State Parkway is based on my review of minutes of monthly exempt meetings of the New Jersey Highway Authority during the period of January 1, 1984 through November 19, 1987. These minutes are taken and prepared by the legal counsel to the Highway Authority. It is my understanding that copies were officially released to the press by the Highway Authority within the past month.

My review indicates that a toll increase was discussed or mentioned during the exempt meetings of October 25, 1984, August 28, 1986, October 30, 1986, January 22, 1987, February 26, 1987, March 26, 1987, April 23, 1987, October 22, 1987, and November 19, 1987. It further indicates that the subject of short-term financing by the Highway Authority, directly related to a toll increase, was discussed during the exempt meetings of May 28, 1987, June 25, 1987, August 27, 1987, and September 27, 1987.

Most significantly, it indicates that 1) a toll increase proposal was submitted to "representatives of the Governor" by August 28, 1986; 2) that information regarding the toll increase was submitted to "the Governor's Office and the DOT" by October 30, 1986; and 3) that the Governor had approved the proposal with certain stipulations by January 22, 1987. These stipulations are alluded to again in the minutes of February 26, 1987 and March 26, 1987.

I wish to make clear that as a member and treasurer of the Authority I have satisfied myself that the increase, the first in 33 years of the Parkway's existence, is necessary and essential if the Authority hopes to continue to adequately meet and serve the needs of New Jersey's motor-ing public. I, in fact, moved the resolution to implement the proposed schedule of increases at our public meeting of November 19, 1987 and again at our public meeting of November 30, 1987.

What I continue to resent deeply, however, is the arrogant and shab-by manner in which the increase has thus far been effected. I made my feelings known to Highway Authority chairman Judith Stanley and executive director George Zilocchi in my hand-delivered letters of November 29, 1987 and December 11, 1987. For your review, I enclose copies of these with copies of the minutes described above.


Julian K. Robinson
December 21, 1987



Office of the Commissioners
New Jersey Highway Authority

Garden State Parkway
Garden State Arts Center

EDITH H. STANLEY, Chairman
RONALD M. LEEVEY, Vice Chairman
RICHARD S. GAMBOL, Secretary
JULIAN K. ROBINSON, Treasurer
JOHN J. FALCIANO, JR.
JOSEPH P. MIELE
H. GEORGE BUCKWALD

GEORGE P. ZILOCCHI
Executive Director

November 29, 1987

Mrs. Judith H. Stanley
Chairman
New Jersey Highway Authority
Woodbridge, New Jersey 07095

Dear Judy:

Although I shall head for Woodbridge as soon as possible tomorrow, it does not seem that I shall arrive much before noon.

I did not want to risk spoiling your Thanksgiving by calling from Massachusetts that day; but several of the remarks attributed to the Governor and his aides in Thursday's Star-Ledger article trouble me deeply...primarily because they seem to me total falsehoods. And the Governor's alleged statement that the Authority has yet to prove to him that the proposed increase is justified turns my stomach.

His statements make me feel rather foolish, as if he is trying to put distance between our actions and himself and totally abandoning us. I am very disappointed and resent this kind of shabby treatment.

Sincerely,


Julian K. Robinson
Treasurer

JKR:jkr

cc: Mr. George P. Zilocchi



Office of the Commissioners
New Jersey Highway Authority

EXECUTIVE OFFICES • WOODBRIDGE, NEW JERSEY 07095 • (201) 442 8600

Garden State Parkway
Garden State Arts Center

COMMISSIONERS

JUDITH H. STANLEY, Chairman
LIONEL M. LEVEY, Vice-Chairman
RICHARD S. SAMBOL, Secretary
JULIAN K. ROBINSON, Treasurer
JOHN J. PADOVANO, JR.
JOSEPH P. MIELE
H. GEORGE BUCKWOLD

December 11, 1987

GEORGE P. ZILOCCHI
Executive Director

Mrs. Judith H. Stanley
Chairman
New Jersey Highway Authority
Woodbridge, New Jersey 07095

Dear Judy:

I am writing because there is apparently little time to talk with you these days; and I feel you should know my dilemma prior to our public hearings next month. Weeks of agonizing deliberation and a painfully thorough consideration of long-standing circumstances and recent events have compelled me to begin to question the advisability of continuing to serve as treasurer.

On the one hand, you know my strong feeling about the Authority's seeming intransigence in matters of affirmative action. We have during your tenure as chairman filled at least ten top executive positions and named an almost equal number of private firms to lucrative consulting roles. That there is in 1987 still no black employee or firm within either group constitutes for me an intolerable circumstance.

On the other, an equally intolerable situation has developed during the past month regarding our toll increase. At no time was I, as treasurer, consulted in planning the scenarios for either our regular meeting of November 19 or our special meeting of November 30. Just as your officers participated in our January meeting with the Governor to discuss the increase, I feel we certainly should have been consulted in the important matter of how that increase would be announced to the public.

But more importantly, as I have read and heard subsequent explanations by you and George Zilocchi about the increase and related events of the past year, it is clear to me that my recollection is totally different than yours or his. I have serious doubts, therefore, whether I can continue to serve in a role which should, by its very nature, be totally supportive of your statements and actions as chairman and Mr. Zilocchi's as executive director. Given the fact, moreover, that we pay annually the handsome sum of \$30,000 to help support the Governor's Authorities Unit, that unit's loud silence throughout the toll debacle has added salt to the wounds. Where are their minutes of our exempt meetings and our meeting with Governor Kean?

4X



Office of the Commissioners
New Jersey Highway Authority

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Garden State Parkway
Garden State Arts Center

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JOSEPH P. MIELE
H. GEORGE BUCKWALD

GEORGE P. ZILOCCHI
Executive Director

Mrs. Judith H. Stanley - December 11, 1987 - page 2

Throughout the remainder of my term as a member of the Authority, I shall continue to try to make what I consider a constructive contribution to our policy-making function. And I trust that our cordial relationship can continue. It will be impossible, however, for me to remain silent as treasurer if the huge deception continues.

Sincerely,

Julian K. Robinson

JKR:jkr

cc: Mr. George P. Zilocchi
Mr. James Weinstein

12/16/87:

Commissioners Buckwald, Levey, Miele, Padovano, Sambol

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

October 30, 1986

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Secretary Richard S. Sambol
Commissioner Julian K. Robinson
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by Martin S.
Fox and Arthur D. Grossman
Jean Steifle, Esq.

1. Bonding/Toll Rate Adjustment.

Chester Johnson of Government Finance Associates, Inc., the Authority's Controller, Frank Palumbo, and the Authority's Chief Engineer, James Conlon, were present during the discussion of this matter.

Zilocchi reported that his staff has provided information to the Governor's Office and the DOT with respect to the proposed toll increase. He indicated, based upon the report of GFA, that the Authority might technically be in default under the toll covenant of the bond resolution by 1988 if no toll increase were put into effect. Additional funds from the issuance of bonds will be needed for the Authority's capital improvement program. The bonds would not attract a favorable rating without a toll increase.

At this point, Chester Johnson went into further detail with respect to his report. The report is attached. It indicates that by 1988, the Authority will be in a negative financial position and technically in default under the bond covenant. Even under the most conservative view, an increase at the ramps will be necessary in early 1988 to meet the existing needs of the capital improvement program. At that point, the Authority could bond approximately \$90 million and thereafter proceed with the toll increase at the barrier and another bond issue.

After further discussion, it was agreed that the ramp increase should proceed as promptly as possible. It was also agreed that approval should be sought from the Governor's Office for the entire package, including both ramp increases and barrier increases, with the understanding that the implementation of the barrier increase would not be immediate and would require the installation of certain operational requirements.

This matter was reported out at the public meeting by
Fox.

2. State Section.

Zilocchi reported that shortly after the September 25, 1986 meeting, there was a meeting between the Authority and the DOT. At that meeting the State offered certain revisions to the proposed contract. Those revisions were reviewed by General Counsel. Another revised draft was sent by General Counsel to Deputy Attorney General Susan Roop. It appears that there is substantial agreement on the terms of the language of the contract.

However, there are still operational problems to be resolved. Grossman reported that a meeting was held yesterday between representatives of the Authority and the DOT to resolve these operational problems. For example, there are significant problems relating to the state of title owned by the State. There are also issues to be resolved in terms of jurisdictional agreements heretofore entered into by the State and other governmental agencies regarding roads intersecting with the state section. There are also issues to be resolved regarding new jurisdictional agreements to be entered into between the Authority and the State regarding the intersection of state highways with the state owned section. It is hoped that these matters will be resolved in the very near future and that the contract will be signed by the Authority and State as promptly as is reasonably possible.

Fox reported out this matter at the public meeting.

3. Equipment Additions.

This matter was Item 5 on the public agenda. Zilocchi briefly reported that authorization for these equipment additions would be necessary in the event of the take over of the State section.

This matter was voted on and approved by the Commissioners at the public meeting.

4. McDonald's/Brookdale North.

Zilocchi reported that he recently had a meeting with Vincent Biunno, the head of the committee which opposes the construction of the McDonald's restaurant at Brookdale North. The proposal to relocate the restaurant to the barracks was made to Mr. Biunno and his committee. Although Mr. Biunno appeared to be in favor of the proposal, the committee was opposed. Zilocchi indicated that Biunno apparently is no longer in control of the committee. It was agreed that this latest development should be conveyed to the Governor's Office and the matter pursued accordingly.

Fox reported out this matter at the public meeting.

5. Marriott.

Zilocchi reported that Marriott desires a clarification of its agreement with respect to the proposed sale of lottery tickets. Marriott pays the Authority a percentage of gross sales. Marriott wants to make sure that the term gross sales as applied to the sale of lottery tickets would refer only to the commission received by Marriott and not the full ticket price. The Commissioners agreed. However, Commissioner Buckwald suggested that the clarification include a statement that the Authority would be entitled to its commission based upon any additional fee received by Marriott by virtue of a winning ticket.

Fox reported out this matter at the public meeting.

6. Ardee Festivals, Inc.

This matter was Item 14 on the main agenda.

Zilocchi reported that Ron Delsener, the principal of Ardee Festivals, has requested a long term contract. His current contract expires in 1987. Delsener requested a five year extension. Zilocchi recommended a three year extension for the years 1988 through 1990 over and above the 1987 year. Delsener further requested an increase in his fee from \$50,000 to \$75,000 for 1987 and 1988 and for \$85,000 in 1989 and \$95,000 in 1990. Zilocchi recommended that the \$50,000 fee remain in place for 1987 and that the fee be increased to \$75,000 for the years 1988 through 1990. He further recommended that Delsener be given a bonus to be equal to \$1,000 for every 100 tickets sold above the average attendance of 6,000 tickets per performance. The Commissioners were in agreement except that Commissioner Levey suggested that the base for the incentive clause be increased each year.

This matter was voted on and approved by the Commissioners at the public meeting.

7. Legal Matters.

Grossman reported that the Bellezza settlement was nearing completion. The actual work has been performed satisfactorily. The parties are in the process of exchanging the appropriate funds and documentation.

Grossman further reported that suit had been instituted last week against Cerani with respect to the Administration Building. Essentially, the main claim relates to the roof. The contract for the roof repairs was on the public agenda for today. Grossman requested that it be removed from the public agenda to give Cerani and its bonding company one final opportunity to perform the work. Accordingly that item was removed from the public agenda.

These matters involved pending litigation and therefore were not reported at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:14-12(b)(7).

8. Personnel Changes.

This matter was Item 15C on the main agenda. Zilocchi reported on some of the personnel changes.

This matter was voted on and approved by the Commissioners at the public meeting.

9. Arts Center Reception Building.

Zilocchi reported that he had a meeting with Jim Weinstein to review the proposed reception building. He furnished Mr. Weinstein with additional information regarding the reception building. Zilocchi further reported that yesterday, there was a meeting with the Chairman and Edward McGlynn and other representatives of the Authority. Mr. McGlynn suggested that the Authority consider adding a portable stage to hold smaller performances. The matter is still currently under review.

This matter involved contract considerations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

10. Pinkerton Report.

Zilocchi briefly reported that based upon the Pinkerton activities, toll violations in the subject areas have been reduced fairly substantially. The activities will continue.

This matter involved public safety considerations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

11. Authority Meeting Dates.

Zilocchi reported that the scheduled meeting date for next September's meeting fell on September 24, which is Rosh Hashanah. It was agreed that the meeting should be rescheduled for September 23. This was reported out by Fox at the public meeting.

ADG: tms

Summary of Attachment: Effect of Toll Increase
on Capital Program/Debt Management of the
New Jersey Highway Authority
-- (October 30, 1986)

- Request by State for analysis: Evaluate the Authority's flexibility in delaying the increase for both the ramps and the barriers.
- Major assumptions: 1. Neither the Authority nor the State desires for the Authority to alter significantly its financial operations or its capital improvements program; 2. There are non-financial reasons for a ramp increase to precede a barrier increase.
- The Authority's projected financial operations, prepared by Vollmer and the Authority, go negative in 1988 without a toll increase (even in the absence of additional bonds being sold, which would increase annual debt service). A technical default under the Authority's current bond resolution could occur as a result.
- Toll Covenant (in Bond Resolution) requires annual Net Revenues to be at least equal to the greater of (i) the sum of Aggregate Debt Service, amounts for Maintenance Reserve Fund, and State payments for that period, or (ii) 1.20 times the Aggregate Debt Service for the period. Based on data provided by Vollmer and the Authority, this covenant cannot be met after 1987 without a toll increase.
- Depending on the underlying economic assumptions that are applied to the analysis, the Authority will realistically run out of capital construction funds (without the issuance of additional bonds) as early as the fall of 1987 or as late as the first quarter, 1988.
- Rating agencies expect a toll increase to be in effect before additional new capital construction debt could be sold. Authority now has some of the highest ratings for turnpikes in the country.
- Under the Bond Resolution, in order to sell bonds for new capital projects over this period, the Authority must use anticipated revenues from a toll increase to meet the additional bonds test; to utilize anticipated revenues for this purpose, the toll increase must be in effect at the time that the additional bonds are sold.
- Nine scenarios were developed for the State with the recommended one being: 1. Toll increase for ramps in

Government Finance Associates, Inc.

effect before the issuance of bonds in early 1988; 2. Bond issue in early 1988 in amount of \$90-\$100 million, with projected revenues from ramp increase in 1988 sufficient for the Authority to meet its bond covenants; 3. Toll increase for barriers in effect before the issuance of large amount of bonds in early 1989, the bond issue being sufficient to carry the Authority capital program for several years.

Government Finance Associates, Inc.

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315 South Calhoun Street
Tallahassee, Florida 323
(904) 681-0929

MEMORANDUM TO: Karen Raphael, Assistant to the Treasurer;
Andrew Chapman, Department of the Treasury,
State of New Jersey

FROM: Government Finance Associates, Inc.

SUBJECT: Effect of Toll Increase on Capital Program/
Debt Management of the New Jersey Highway
Authority

DATE: October 15, 1986

In a recent conversation, certain information was requested for the State's review of the proposed toll increase by the New Jersey Highway Authority. In particular, the Authority was asked to evaluate the Authority's flexibility in delaying the increase for both the ramps and the barriers. The accompanying financial analysis has been prepared to meet the State's requests. The attached material also includes the information you have requested from Vollmer Associates and the Authority. If you need additional information, please call.

Conclusions

The following summary conclusions, supported by the attached analysis, are presented below. Two important assumptions were used. First, neither the Authority nor the State desires for the Authority to alter significantly its financial operations or its capital improvements program. Second, there are non-financial reasons for a ramp increase to precede a barrier increase.

1. Based on the projected operating results prepared by Vollmer and the Authority, the financial operations, even in the absence of additional bonds being sold, go negative in 1988 without a toll increase. A technical default under the Authority's bond resolution could occur as a result.

2. Further, because of the provisions of the 1984 Parkway Revenue Bond Resolution, any toll ramp increase (which can be used in the necessary calculations for the selling of additional debt) would provide modest amounts of capital funding (approximately \$90-100 million). In order to sell debt for capital purposes in 1988, the toll ramp increase would have to be in effect at the time the bonds are sold in 1988. This amount would appear to be sufficient to cover Authority capital needs for one year, including monies required for improving the State-owned sections.

3. Assuming that the additional bond sale of \$90-100 million will provide sufficient capital funds for the 1988 capital improvements program, bonds would be sold in 1989 against the revenues to be received from a barrier toll increase to be implemented prior to the sale of bonds in 1989.

4. To sell debt in 1988 at a time when the Authority's financial operations will, as of the end of 1987, be at a recent historical low could create a difficult rating environment. Nevertheless, the fact that a toll increase will be in effect at the time (for the ramps) of the issuance of the additional capital debt should significantly offset this concern.

Options

The various scenarios from which the recommendations were based are presented below:

Scenario One. If the Authority were to complete only the construction projects currently under contract (such a limited program could restrict the Authority's revenue-raising capability and decrease funds available for safety programs), the Authority would have sufficient capital funds to delay a toll increase for both the ramp and barriers until 1990. There would be some funds available (\$43.3 million) for improving the State-owned sections were they to become Authority property over this period. Essentially, there would be very little money available even for capital emergencies.

Scenario Two. If the Authority were to continue to implement its approved capital improvements program and provide for improving the State-owned sections, the Authority would run out of capital funds in less than one year.

Scenario Three. If the Authority were to complete only the construction projects currently under contract (such a limited program could restrict the Authority's revenue-raising capability and decrease funds available for safety

programs), pay for improving the State-owned sections, and spend \$33.0 million in 1987 to implement both the ramp and barrier increases as of January 1, 1988, the Authority would run out of capital funds in late 1987.

Scenario Four. If the Authority were to continue to implement its approved capital improvements program, provide for improving the State-owned sections, and spend \$33.0 million in 1987 to implement both the ramp and barrier increases as of January 1, 1988, the Authority would run out of capital funds in mid 1987.

Scenario Five. If the Authority were to complete only the construction projects currently under contract (such a limited program could restrict the Authority's revenue-raising capability and decrease funds available for safety programs), pay for improving the State-owned sections, spend \$11.0 million in 1987 to implement the ramp increase as of January 1, 1988, and spend an additional \$22 million in 1989 to implement the barriers increase as of January 1, 1990, the Authority would not run out of capital funds over the period. The Authority would end the period with virtually no capital funds on hand.

Scenario Six. If the Authority were to continue to implement its approved capital improvements program, provide for improving the State-owned sections, spend \$11.0 million in 1987 to implement the ramp increase as of January 1, 1988, and spend an additional \$22 million in 1989 to implement the barrier increase as of January 1, 1990, the Authority would run out of capital funds in mid-1987.

Scenario Seven. If the Authority were to complete only the construction projects currently under contract, pay for improving the State-owned sections, spend \$11.0 million in 1987 to implement the ramp increase as of January 1, 1988, spend an additional \$22.0 million in 1989 to implement the barriers increase as of January 1, 1990, but sold \$85.0 million in bonds in 1988, the Authority would have sufficient capital funds on hand at all times over the period.

Scenario Eight. If the Authority were to complete the construction projects currently under contract, add \$5.0 million to the contracted projects, pay for improving the State-owned sections, spend \$11.0 million in 1987 to implement the ramp increase as of January 1, 1988, spend an additional \$22.0 million in 1989 to implement the barriers increase as of January 1, 1990, but sold \$85.0 million in bonds in 1988, the Authority would have sufficient capital funds on hand at all times over the period.

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Scenario Nine. If the Authority were to complete the construction projects currently under contract; add \$5.0 million to the contracted projects, pay \$16.14 million for improving State-owned sections through February, 1988, spend \$14.0 million through February, 1988 to implement the ramp increase as of January 1, 1988, and maintain a cushion of approximately \$23 million for emergency and special capital purposes, the Authority would have sufficient capital funds on hand at all times over the period. This approach assumes a sale of approximately \$90 million in bonds in January, 1988 at the time the ramp increase goes into effect. In addition to the above, the Authority would use during 1988 the 1988 bond proceeds to pay for capital projects and \$22.0 million to implement the barriers increase as of January 1, 1989, at which time the Authority would be able to resume a normal borrowing/capital improvements program. Scenario Nine is our recommended approach unless both the ramp and barrier increases can be implemented together no later than January, 1988.

Budgetary Effects

1. For scenarios one and two, the 1987 financial operations are essentially break-even with negative operating results for fiscal 1988. This factor is basically irrelevant for scenario two since the Authority will run out of capital funds in 1987 and will have to look toward an infusion of capital funds (issuance of bonds) in 1987 or 1988, with an increase in debt service for 1988.
2. For scenarios three and four, the 1987 financial operations are essentially break-even, with major revenue improvements in 1988 and 1989 (\$38.3 million balance in 1988 and \$38.7 million balance in 1989). There is an assumption that \$110 million in bonds were sold in January, 1988, resulting in modest debt service increases in 1988 and 1989.
3. For scenarios five and six, the 1987 financial operations are essentially break-even. In 1988 and 1989, there are modest operating surpluses.
4. For scenarios seven and eight, the 1987 financial operations are essentially break-even. There is also an assumption that \$85 million in bonds were sold in January, 1988, resulting in modest debt service increases in 1988 and 1989.
5. Under all the scenarios, the Authority's financial operations go negative in 1988 without a toll increase.

Rating Agency Relations

In 1984, when the Authority sold \$275.5 million to refund outstanding issues and to provide for additional capital funds, S&P and Moody's rated the Authority debt AA- and A-1, respectively. These ratings are among the highest ratings assigned to turnpike revenue bonds. At the time, three factors concerned both agencies:

- (i) the Authority envisioned additional capital requirements to be bonded;
- (ii) revenues were expected to decline over time; and
- (ii) the Authority had not imposed a base toll increase since 1954.

As a result of these factors, both agencies indicated a desire for the Authority 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 this fact, the Authority was able to include an amount (\$74.4 million) of new construction funds in the refunding issue without unfavorable rating results.

One additional concern, articulated in the Moody's report, published at the time, was: "Key ratios do not compare favorably to comparable systems and the prospect of additional borrowing could further pressure performance."

Based on these rating concerns, it was obvious that the Authority's next rating review would involve a more extensive analysis of the relationship of the Authority's capital program and the implementation of its toll increase.

Relevant Effects of Current Bond Resolution

Under the Authority's existing bond resolution, it must meet a Toll Covenant every year, which requires that Net Revenues will at least equal the greater of (i) the sum of Aggregate Debt Service, amounts to be deposited in the Junior Indebtedness Fund, Maintenance Reserve Payments and State Payments for such period or (ii) 1.20 times the sum of Aggregate Debt Service for such period.

Further, in order to issue additional bonds, the Authority must meet this condition, among others: (i) the Net Revenues (adjusted to reflect any adjustment in tolls, as if such adjustment had been in effect since the beginning of the period) for any 12 consecutive months out of the 15 months preceding delivery of Additional Bonds shall be at

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least equal to the Additional Bond Requirement (which is essentially the Toll Covenant, plus the amount of maximum annual debt service on the Additional Bonds to be added to both (i) and (ii) above) for such 12 month period.

Under the proposed scenarios, it appears that the Authority cannot meet either the Toll Covenant or the Additional Bonds test in 1988 unless a toll increase is implemented at the time.

Also, in the opinion of Bond Counsel and the Authority's General Counsel, the Authority is authorized to enter into the Toll Covenant, and the Governor and State Treasurer or Comptroller of the Treasury, in exercising the right of written approval of any amendment to an existing toll schedule, may not limit, restrict or alter the obligation of the Authority to comply with the Toll Covenant.

cc: James Weinstein, Director, Governor's Authority Unit
George P. Zilocchi, Executive Director, New Jersey
Highway Authority

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Projected Draw Down of Capital Construction Funds

Scenario One
Conservative: Awarded Contracts

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Starting Balance	\$176,546	\$138,874	\$50,142	\$23,881
Current Contracts and Supervision	47,672	79,386	2,447	-
State Portion	-	11,046	23,814	8,532
Additional Funds for Construction	10,000	1,700	-	-
Ending Balance	<u>\$138,874</u>	<u>\$50,142</u>	<u>\$23,881</u>	<u>\$15,349</u>

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Projected Draw Down of Capital Construction Funds

Scenario Two

Liberal: (All Estimated Construction Payouts)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Balance	\$176,546	\$137,704	-\$37,609	-\$181,671
Total Payout for Approved Plan	48,842	168,694	120,248	83,983
State Portion	-	11,046	23,814	8,532
Additional Funds for Construction	10,000	1,700 <u>2,727</u> ⁽¹⁾	-	-
Balance	\$137,704	-\$37,609	-\$181,671	-\$274,186

(1) Assumes 1/3 of Beginning Balance is available for reinvestment throughout the year, at 6%.

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Projected Operating Results With
Toll Schedule Modifications
1986-1989

No Toll Increase Over the Period;
No Bond Issue Over the Period

Budget for Scenario One and Two

	<u>1986</u>	<u>1987</u> (Millions of Dollars)	<u>1988</u>	<u>1989</u>
Toll Revenues				
Existing Tolls	\$101.6	\$107.8	\$114.7	\$121.3
Additional from Revised Tolls (a)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	<u>101.6</u>	<u>107.8</u>	<u>114.7</u>	<u>121.3</u>
Other Revenues (b)	<u>20.2</u>	<u>19.9</u>	<u>20.5</u>	<u>22.0</u>
Total Revenues	121.8	128.7	135.2	143.3
Expenses				
Authority Sections	71.9	79.0	86.4	95.1
Additional for Increases	-	-	-	-
State Sections	<u>-</u>	<u>1.5</u>	<u>3.3</u>	<u>3.6</u>
Total	<u>71.9</u>	<u>80.5</u>	<u>89.7</u>	<u>98.7</u>
Revenues Available for Debt Service	<u>49.9</u>	<u>48.2</u>	<u>45.5</u>	<u>44.6</u>
Total Debt Service	26.4	34.0	34.0	34.0
Other Requirements	<u>10.0</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>
Total Revenue Required	<u>36.4</u>	<u>46.5</u>	<u>46.5</u>	<u>46.5</u>
Revenue Dedicated for Capital Improvements	13.5	1.7	(-1.0)	(-1.9)

(a) Assumes toll schedule of Enclosure 1.

(b) Includes concession revenues, Arts Center revenues, and investment income applicable to debt service.

Note: Operating results are based on 9/27/86 analysis prepared by Vollmer.

Government Finance Associates, Inc.

Projected Draw Down of Capital Construction Funds

Scenario Three

Conservative: (With \$33 Million for
Toll Increase Incurred in 1987)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beginning Balance	\$176,546	\$138,874	-\$10,692	\$ 98,147
Current Contracts and Supervision	47,672	111,386 ⁽¹⁾	2,447	-
State	-	11,046	23,814	8,532
Toll Increase (Project 30)	-	33,000	-	-
Additions	10,000	1,700 ⁽²⁾ 4,166 ⁽²⁾	38,300 ⁽³⁾ 96,800 ⁽⁴⁾	38,700 ⁽³⁾
Ending Balance	\$138,874	-\$10,692	\$ 98,147	\$128,315

- (1) Includes \$32 million "Projects Not Yet Scheduled" which would be required to implement toll increase on 1/1/88.
- (2) Assumes 1/2 of Beginning Balance (\$69,437 million) would be available for investment at 6%.
- (3) Available from Net Revenues.
- (4) Assumes \$110 million bond issue 1/1/88, 25 year at 9% (as assumed in the last official statement), with \$11 million deposited in reserve fund and 2% issuance costs deducted. Deposit to Parkway Construction Plan would be \$96.8 million.

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Projected Operating Results With
Toll Schedule Modifications
1986-1989

Proposed Barriers Increased in 1988,
\$110 M Bond Issue in 1988

Budget for Scenario Three and Four

	<u>1986</u>	<u>1987</u> (millions of dollars)	<u>1988</u>	<u>1989</u>
Toll Revenues				
Existing Tolls	\$101.6	\$107.8	\$114.7	\$121.3
Additional from Revised Tolls (a)	<u>0.0</u>	<u>0.0</u>	<u>59.3</u>	<u>61.6</u>
Total	101.6	107.8	174.0	182.9
Other Revenues (b)	<u>20.2</u>	<u>19.9</u>	<u>20.5</u>	<u>22.0</u>
Total Revenues	121.8	128.7	194.5	204.9
Expenses				
Authority Sections	71.9	79.0	86.4	95.1
Additional for Increases	-	-	9.0	10.0
State Sections	<u>-</u>	<u>1.5</u>	<u>3.3</u>	<u>3.6</u>
Total	<u>71.9</u>	<u>80.5</u>	<u>98.7</u>	<u>108.7</u>
Revenues Available for Debt Service	<u>49.9</u>	<u>48.2</u>	<u>95.8</u>	<u>96.2</u>
Total Debt Service	26.4	34.0	45.0	45.0
Other Requirements	<u>10.0</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>
Total Revenue Required	<u>36.4</u>	<u>46.5</u>	<u>57.5</u>	<u>57.5</u>
Revenue Dedicated for Capital Improvements	13.5	1.7	38.3	38.7

(a) Assumes toll schedule of Enclosure 1.

(b) Includes concession revenues, Arts Center revenues, and investment income applicable to debt service.

Note: Operating results are based on 9/27/86 analysis prepared by Vollmer

Government Finance Associates, Inc.

Projected Draw Down of Capital Construction Funds

Scenario Five

Liberal: With Ramp Increase 1988 and
Barrier Increase 1990,
No Bond Issue

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beginning Balance	\$176,546	\$138,9874	\$41,225	\$24,682
Current Contracts and Supervision	47,672	79,386	2,447	-
State Portion	-	11,046	23,814	8,532
Toll Increase	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>22,000</u>
Additions	<u>10,000</u>	<u>1,700⁽¹⁾</u> <u>2,083⁽²⁾</u>	<u>9,100⁽¹⁾</u> <u>618⁽²⁾</u>	<u>8,600⁽¹⁾</u> <u>-</u>
Ending Balance	\$138,874	\$ 41,225	\$24,682	\$ 2,750

(1) Available from Net Revenues.

(2) Assumes 1/4 of Beginning Balance is available throughout year, earning interest at 6%.

Projected Draw Down of Capital Construction Funds

Scenario Six
Liberal, with Ramp Increase in 1988
and Barriers Increase in 1990,
No Bond Issues

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Starting Balance	\$176,546	\$138,704	-\$ 51,336	-\$186,298
Total Payout	48,842	168,694	120,248	83,983
State Portion	-	11,046	23,814	8,532
Project 30 (Toll Increase)	-	11,000	-	22,000
Additions	<u>10,000</u>	<u>1,700</u> ⁽¹⁾	<u>9,100</u> ⁽¹⁾	<u>8,600</u> ⁽¹⁾
Ending Balance	\$137,704	-\$51,336	-\$186,298	-\$292,213

(1) Available from Net Revenues.

Projected Operating Results With
Toll Schedule Modifications
1986-1989

Toll Increase in 1988
No Bond Issue

Budget for Scenarios Five and Six

	<u>1986</u>	<u>1987</u> (millions of dollars)	<u>1988</u>	<u>1989</u>
Toll Revenues				
Existing Tolls	\$101.6	\$107.8	\$114.7	\$121.3
Additional from Revised Tolls (a)	<u>0.0</u>	<u>0.0</u>	<u>10.7</u>	<u>11.2</u>
Total	<u>101.6</u>	<u>107.8</u>	<u>125.4</u>	<u>132.5</u>
Other Revenues (b)	<u>10.1</u>	<u>19.9</u>	<u>20.5</u>	<u>22.0</u>
Total Revenues	121.8	128.7	145.9	154.5
Expenses				
Authority Sections Additional for Increases	71.9	79.0	86.4	95.1
State Sections	-	-	.6	.7
Total	<u>71.9</u>	<u>80.5</u>	<u>90.3</u>	<u>99.4</u>
Revenues Available For Debt Service	<u>49.9</u>	<u>48.2</u>	<u>55.6</u>	<u>55.1</u>
Total Debt Service	26.4	34.0	34.0	34.0
Other Requirements	<u>10.0</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>
Total Revenue Required	<u>36.4</u>	<u>46.5</u>	<u>46.5</u>	<u>46.5</u>
Revenue Dedicated for For Capital Improvements	13.5	1.7	9.1	8.6

(a) Assumes toll schedule of Enclosure 1.

(b) Includes concession revenues, Arts Center revenues, and investment income applicable to debt service.

Note: Operating results are based on 9/27/86 analysis prepared by Vollmer.

Projected Draw Down of Capital Construction Funds

Scenario Seven

Conservative: With Toll Increase 1988 and 1990, Bond Issues in 1988 and 1990

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beginning Balance	\$176,546	\$138,874	\$ 41,225	\$ 90,164
Current Contracts and Supervision	47,672	79,386	2,447	-
State Portion	-	11,046	23,814	8,532
Toll Increase	-	11,000	-	22,000
Additions	10,000	1,700 ⁽¹⁾ 2,083 ⁽²⁾	500 ⁽¹⁾ 74,700 ⁽³⁾	-
Ending Balance	\$138,874	\$ 41,225	\$ 90,164	\$ 59,632

- (1) Available from Net Revenues.
- (2) Assumes 1/4 of Beginning Balance is available throughout year, earning interest at 6%.
- (3) Assumes \$85 million bond issue, with 25 year maturity at 9%, with deposit to debt service reserve fund of approximately \$8.6 million and 2% issuance costs.

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Projected Operating Results With
Toll Schedule Modifications
1986-1989

Budget for Scenarios Seven and Eight

	<u>1986</u>	<u>1987</u> (millions of dollars)	<u>1988</u>	<u>1989</u>
Toll Revenues				
Existing Tolls	\$101.6	\$107.8	\$114.7	\$121.3
Additional from Revised Tolls (a)	<u>0.0</u>	<u>0.0</u>	<u>10.7</u>	<u>11.2</u>
Total	<u>101.6</u>	<u>107.8</u>	<u>125.4</u>	<u>132.5</u>
Other Revenues (b)	<u>20.2</u>	<u>19.9</u>	<u>20.5</u>	<u>22.0</u>
Total Revenues	121.8	128.7	145.9	154.5
Expenses				
Authority Sections	71.9	79.0	86.4	95.1
Additional for Increases	-	-	.6	.7
State Sections	<u>-</u>	<u>1.5</u>	<u>3.3</u>	<u>3.6</u>
Total	<u>71.9</u>	<u>80.5</u>	<u>90.3</u>	<u>99.4</u>
Revenues Available For Debt Service	<u>49.9</u>	<u>48.2</u>	<u>55.6</u>	<u>55.1</u>
Total Debt Service	26.4	34.0	42.6	42.6
Other Requirements	<u>10.0</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>
Total Revenue Required	<u>36.4</u>	<u>46.5</u>	<u>55.1</u>	<u>55.1</u>
Revenue Dedicated for For Capital Improvements	13.5	1.7	0.5	0

(a) Assumes toll schedule of Enclosure 1.

(b) Includes concession revenues, Arts Center revenues, and investment income applicable to debt service.

Note: Operating results are based on 9/27/86 analysis prepared by Vollmer.

Government Finance Associates, Inc.

Projected Draw Down of Capital Construction Funds

Scenario Eight

(Ramp Increase in 1988; Barrier Increase in 1990
Bonds in 1988 and 1990)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beginning Balance	\$176,546	\$137,870	\$ 25,242	\$74,181
Current Contracts and Supervision	47,672	79,386	2,447	-
State Portion	-	11,046	23,814	8,532
Purchase of R.O.W.	-	15,400	-	-
Contracts to be Awarded 10/30/86	1,004	3,996	-	-
Toll Increase Implementation	-	11,000	-	22,000
Additions	10,000	1,700 ⁽¹⁾ 6,500 ⁽²⁾	500 ⁽¹⁾ 74,700 ⁽³⁾	-
Ending Balance	\$137,870	\$ 25,242	\$ 74,181	\$43,649

(1) Available from Net Revenues.

(2) Investment Income.

(3) Assumes \$85 million bond issue, with 25 year maturity at 9%, with deposit to debt service reserve fund of approximately \$8.6 million and 2% issuance costs.

Government Finance Associates, Inc.

Projected Draw Down of Capital Construction Funds

Scenario Nine

(Ramp Increase in 1988; Barrier Increase in 1989
Bonds in 1988 and 1989)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beginning Balance	\$176,546	\$137,870	\$ 38,642	\$ 70,276
Current Contracts and Supervision	47,672	79,386	2,447	-
State Portion	-	11,046	23,814	8,532
Contracts to be Awarded 10/30/86	1,004	3,996	-	-
Toll Increase Implementation	-	14,000	22,000	-
Additions	<u>10,000</u>	<u>1,700⁽¹⁾ 7,500⁽²⁾</u>	<u>795⁽²⁾ 79,100⁽³⁾</u>	<u>15,200⁽¹⁾ 220,000⁽⁴⁾</u>
Ending Balance	\$137,870	\$ 38,642	\$ 70,276	\$296,944

- (1) Available from Net Revenues.
(2) Investment Income.
(3) Assumes \$90 million bond issue, with 25 year maturity at 9%, with deposit to debt service reserve fund of approximately \$9.1 million, issuance expenses of 2%.
(4) Assumes \$250 million bond issue, with 25 year maturity at 9%, with deposit to debt service reserve fund of approximately \$25.4 million and issuance expenses of 2%.

Government Finance Associates, Inc.

Projected Draw Down of Capital Construction Funds

Scenario Four

Liberal: (All Estimated Payouts, with \$33 Million For Toll Increase Incurred in 1987)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Beginning Balance	\$176,546	\$137,704	-\$70,609	-\$79,571
Total Payout for Approved Plan	48,842	168,694	120,248	83,983
State Portion	-	11,046	23,814	8,532
Project 30 (Toll Increase)	-	33,000	-	-
Additions	10,000	1,700 ⁽¹⁾ 2,727 ⁽¹⁾	38,300 ⁽²⁾ 96,800 ⁽³⁾	38,700 ⁽²⁾ -
Ending Balance	\$137,704	-\$70,609	-\$79,571	-\$133,386

- (1) Assumes interest earnings of 6% on 1/3 of beginning balance.
 (2) Available from Net Revenues.
 (3) Assumes \$110 million bond issue 1/1/88, 25 year at 9% (as assumed in the last official statement), with approximately \$11 million deposited in reserve fund and 2% issuance costs deducted.
 Deposit to Parkway Construction Fund would be \$96.8 million.

Government Finance Associates, Inc.

Projected Operating Results With
Toll Schedule Modifications
1986-1989

Budget for Scenario Nine

	<u>1986</u>	<u>1987</u> (millions of dollars)	<u>1988</u>	<u>1989</u>
Toll Revenues				
Existing Tolls	\$101.6	\$107.8	\$114.7	\$121.3
Additional from Revised Tolls (a)	<u>0.0</u>	<u>0.0</u>	<u>10.7</u>	<u>61.6</u>
Total	<u>101.6</u>	<u>107.8</u>	<u>125.4</u>	<u>182.9</u>
Other Revenues (b)	<u>20.2</u>	<u>19.9</u>	<u>20.5</u>	<u>22.0</u>
Total Revenues	121.8	128.7	145.9	204.9
Expenses				
Authority Sections	71.9	79.0	86.4	95.1
Additional for Increases	-	-	.6	10.0
State Sections	-	1.5	3.3	3.6
Total	<u>71.9</u>	<u>80.5</u>	<u>90.3</u>	<u>108.7</u>
Revenues Available For Debt Service	<u>49.9</u>	<u>48.2</u>	<u>55.6</u>	<u>96.2</u>
Total Debt Service	26.4	34.0	43.1	68.5
Other Requirements	<u>10.0</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>
Total Revenue Required	<u>36.4</u>	<u>46.5</u>	<u>55.6</u>	<u>81.0</u>
Revenue Dedicated for For Capital Improvements	13.5	1.7	0.0	15.2

(a) Assumes toll schedule of Enclosure 1.

(b) Includes concession revenues, Arts Center revenues, and investment income applicable to debt service.

Note: Operating results are based on 9/27/86 analysis prepared by Vollmer.

R. J. H. A.
RECEIVED OCT - 2 1986

Johnson

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NEW JERSEY HIGHWAY AUTHORITY
PROJECTED 1987 OPERATING BUDGET

Salaries, Wages, and	
Employee related benefits	\$49,820,000
State Police	8,570,000
Professional Consultants	5,790,000
Contributions to Reserve Fund	3,500,000
Utilities	1,550,000
Other	<u>9,770,000</u>
 Total	 <u><u>\$79,000,000</u></u>

Vollmer Associates

11 West 19th Street, New York NY 10011
212 691 3800 Telex 12 7357

Handwritten notes:
C. M. M...

September 26, 1986

Mr. George P. Zilocchi
Executive Director
New Jersey Highway Authority
Garden State Parkway
Woodbridge, NJ 07095

Dear George,

At your request, we have prepared two additional analyses of alternative toll schedules, supplementing my letter to you of July 23, 1986.

Enclosed is a revised edition of Attachment 3 of my previous correspondence to you presenting the operating results for the years 1986 through 1991. These attachments have been revised in the following manner:

- o No additional revenues are indicated to be derived from toll increases, and operating expenses have been reduced accordingly.
- o *why?* The projection of future toll revenues from the existing toll schedule is based solely on recent historical growth trends, which are "more optimistic" than our July 23, 1986 projections. For a number of reasons, we are of the opinion that these growth rates may not be attainable throughout the forecast period.
- o The opening of the new toll ramps (at Interchanges 116 and 120) and the opening of the two new toll barriers have been shifted to reflect more realistic schedules, based upon recent discussions with your Engineering staff.
- o Based on discussions with your Finance staff, the Authority's takeover of the State sections has been changed to mid-year 1987.
- o Based upon the current drawdown schedule of the Construction Fund, we have modified the two projected dates of sale of bonds so that \$110 million worth would be sold on January 1, 1988 and on January 1, 1991 respectively; this information was received during recent discussions with your Engineering and Finance staffs.

As shown in this revised table, under the above assumptions the ramp toll increase is no longer necessary in 1987, but the mainline barrier increases now are required in 1988.

Also attached for your review is Table A which presents the effects of raising tolls either to \$.50 cash/\$.35 token or to \$.50 cash at each mainline barrier for any year from 1989 to 1991. (There is no change in ramp tolls.) This would allow the calculation by others of the gross toll revenues to be derived by raising tolls at limited locations along the Parkway. Any increase in tolls would require additional operation expenses which are not shown in this table.

If you have any questions on this material, I would be pleased to discuss it further with you.

Very truly yours,

Gerald V. Nielsten

GVN/cam
Attachments
85001.02

ATTACHMENT 3

**PROJECTED OPERATING RESULTS WITH
EXISTING TOLL SCHEDULE
1986 - 1991**

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	(Millions of Dollars)					
Toll Revenues						
Existing Tolls	\$102.5	\$109.6	\$116.9	\$125.6	\$133.8	\$141.7
Additional from Revised Tolls (A)	-	-	-	-	-	-
Total	<u>102.5</u>	<u>109.6</u>	<u>116.9</u>	<u>125.6</u>	<u>133.8</u>	<u>141.7</u>
Other Revenues (B)	<u>20.2</u>	<u>19.9</u>	<u>20.5</u>	<u>22.0</u>	<u>22.5</u>	<u>23.0</u>
Total Revenues	<u>122.7</u>	<u>129.5</u>	<u>137.4</u>	<u>147.6</u>	<u>156.3</u>	<u>164.7</u>
Expenses						
Authority Sections	71.9	79.0	86.4	95.1	104.2	113.3
State Sections	-	<u>1.5</u>	<u>3.3</u>	<u>3.6</u>	<u>4.0</u>	<u>4.4</u>
Total	<u>71.9</u>	<u>80.5</u>	<u>89.7</u>	<u>98.7</u>	<u>108.2</u>	<u>117.7</u>
Revenues Available for Debt Service	<u>50.8</u>	<u>49.0</u>	<u>47.7</u>	<u>48.9</u>	<u>48.1</u>	<u>50.0</u>
Total Debt Service	26.4	34.0	45.0	45.0	45.0	50.0
Other Requirements	<u>10.0</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>	<u>11.0</u>
Total Revenue Required	<u>36.4</u>	<u>46.5</u>	<u>57.5</u>	<u>57.5</u>	<u>57.5</u>	<u>61.0</u>
Revenue Dedicated for Capital Improvements	14.4	2.5	(-9.8)	(-8.6)	(-9.4)	(-10.0)

(A) Assumes no toll revision, but continuation of existing tolls through analysis period.

(B) Includes concession revenues, Arts Center revenues, and investment income applicable to debt service.

TABLE A
GARDEN STATE PARKWAY
ESTIMATED MAINLINE BARRIER GROSS TOLL REVENUES
EXISTING AND TWO ALTERNATIVE TOLL SCHEDULES

Barrier		Year					
		1986	1987	1988	1989	1990	1991
Hillside	(A)	6.2	6.6	7.0	7.5	8.0	7.9
	(B)				11.2	11.9	11.7
	(C)				13.6	14.5	14.2
Bergen	(A)	9.5	10.2	10.9	11.7	12.5	12.5
	(B)				17.7	18.9	18.9
	(C)				21.6	23.1	23.1
Essex	(A)	11.7	12.2	12.7	13.2	13.8	14.2
	(B)				19.9	20.8	21.5
	(C)				24.4	25.4	26.3
Union	(A)	14.5	14.9	15.8	16.7	17.7	18.7
	(B)				25.2	26.7	28.2
	(C)				30.9	32.7	34.6
Raritan	(A)	15.9	17.1	18.4	19.7	21.2	22.7
	(B)				29.7	31.9	34.3
	(C)				35.6	38.3	41.2
Asbury Park	(A)	9.5	10.2	11.0	9.9	10.8	11.8
	(B)				15.1	16.4	17.9
	(C)				18.1	19.7	21.5
Toms River	(A)	5.3	5.8	6.3	6.9	7.5	8.7
	(B)				10.7	11.7	13.5
	(C)				12.8	13.9	16.1
Barnegat	(A)	3.7	4.1	4.5	4.9	5.4	5.9
	(B)				7.7	8.5	9.3
	(C)				9.1	10.0	11.0

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TABLE A
GARDEN STATE PARKWAY
ESTIMATED MAINLINE BARRIER GROSS TOLL REVENUES
EXISTING AND TWO ALTERNATIVE TOLL SCHEDULES

Barrier		Year					
		1986	1987	1988	1989	1990	1991
New Gretna	(A)	2.9	3.3	3.7	4.1	4.7	5.2
	(B)				6.5	7.3	8.1
	(C)				7.7	8.6	9.7
Atlantic County	(A)	-	-	-	-	-	3.3
	(B)						5.3
	(C)						6.2
Great Egg	(A)	2.6	2.8	3.0	3.3	3.3	3.5
	(B)				5.2	5.1	5.6
	(C)				6.0	6.0	6.5
Cape May	(A)	2.3	2.4	2.6	2.7	2.7	2.9
	(B)				4.4	4.3	4.6
	(C)				5.0	4.9	5.2
Milepost 0	(A)	-	-	-	-	-	1.1
	(B)						1.8
	(C)						2.0
Total	(A)	84.1	89.6	95.9	100.6	107.3	118.4
	(B)				153.3	163.5	180.7
	(C)				184.8	197.1	217.6

(A) Existing Toll Schedule
(B) \$.50 Cash/\$.35 Token
(C) \$.50 Cash/No Discount Token

Vollmer Associates

11 West 19th Street New York NY 10011
212 691 3800 Telex 12 7357

September 27, 1986

Mr. George P. Zilocchi
Executive Director --
New Jersey Highway Authority
Garden State Parkway
Woodbridge, NJ 07095

Dear George,

At your request, we have prepared an additional analysis of alternative toll schedules, supplementing my letter to you of July 23, 1986.

Enclosed are revised editions of Attachment 3 and Enclosure 1 of my previous correspondence to you, presenting the operating results for the years 1986 through 1991 along with the assumed toll schedules. These attachments have been revised in the following manner:

- o Additional revenues are indicated to be derived from toll increases, and operating expenses have been increased accordingly.
- o The projection of future toll revenues from the existing toll schedule is based on an assumed annual 6.0 percent growth rate which may or may not be attainable throughout the forecast period.
- o The opening of the new toll ramps (at Interchanges 116 and 120) and the opening of the two new toll barriers have been shifted to reflect more realistic schedules, based upon recent discussions with your Engineering staff.
- o Based on discussions with your Finance staff, the Authority's takeover of the State sections has been changed to mid-year 1987.
- o Based upon the current drawdown schedule of the Construction Fund, we have modified the two projected dates of sale of bonds so that \$110 million worth would be sold on January 1, 1988 and on January 1, 1991; this information was received during recent discussions with your Engineering and Finance staffs.

If you have any questions on this material, I would be pleased to discuss it further with you.

Very truly yours,

Gerald V. Nielsten

GVN/cam
Attachments
05001 02

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July 29, 1986
 Revised September 27, 1986

ENCLOSURE 1

TOLL SCHEDULES
 (PASSENGER CAR TOLLS)
 cents

LOCATION	PRESENT TOLL	Jan. 1, 1988	Jan. 1, 1990
		ALL 25¢ TOLL Cash	50¢ TOLL Cash/Token
All Across-the-Road Barriers (A)	25	25	50/35
165-S Paramus	10	25	25
160-S Saddle Brook	25	25	50/35
156-N Clifton	10	25	25
154-N Passaic	10	25	25
153-N Watchung	25	25	50/35
149-S Bloomfield	10	25	25
147-S East Orange	10	25	25
146-S Irvington	10	25	25
143-N Union Ramp	25	25	50/35
120-N Cheesequake (B)	-	25	25
119-N Matawan-Keyport-Hazlet	15	25	25
116 Arts Center (B)	-	25	25
114-N Holmdel	15	25	25
109-N Red Bank	20	25	25
106-N Eatontown	25	25	50/35
98-N Belmar-Wall	15	25	25
93-N Lakewood-Brick	15	25	25
89-N Lakehurst	15	25	25
74-N Lacey Road (C)	-	25	25
35-N Somers Point	15	25	50/35
4-S Wildwood	10	25 (D)	(D)

(A) New toll barriers in Atlantic County and in Cape May County near Milepost 0.0, open by January 1, 1991.

(B) New Toll Ramp, open by January 1, 1989.

(C) New Toll Ramp, open by July 1, 1988.

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ATTACHMENT 3

PROJECTED OPERATING RESULTS WITH
TOLL SCHEDULE MODIFICATIONS
1986 - 1991

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
	(Millions of Dollars)					
Toll Revenues						
Existing Tolls	\$101.6	107.8	114.7	121.3	128.1	135.0
Additional from Revised Tolls (A)	<u>0.0</u>	<u>0.0</u>	<u>10.7</u>	<u>11.2</u>	<u>70.2</u>	<u>7.0</u>
Total	101.6	107.8	125.4	132.5	198.3	242.0
Other Revenues (B)	<u>20.2</u>	<u>19.9</u>	<u>20.5</u>	<u>22.0</u>	<u>22.5</u>	<u>22.5</u>
Total Revenues	121.8	128.7	145.9	154.5	220.8	264.5
Expenses						
Authority Sections	71.9	79.0	86.4	95.1	104.2	113.1
Add'l for Increases	-	-	.6	.7	10.9	1.0
State Sections	<u>-</u>	<u>1.5</u>	<u>3.3</u>	<u>3.6</u>	<u>4.0</u>	<u>-</u>
Total	<u>71.9</u>	<u>80.5</u>	<u>90.3</u>	<u>99.4</u>	<u>119.1</u>	<u>114.1</u>
Revenues Available for Debt Service	<u>49.9</u>	<u>48.2</u>	<u>55.6</u>	<u>55.1</u>	<u>101.7</u>	<u>101.0</u>
Total Debt Service	26.4	34.0	45.0	45.0	45.0	45.0
Other Requirements	<u>10.0</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>	<u>12.5</u>
Total Revenue Required	<u>36.4</u>	<u>46.5</u>	<u>57.5</u>	<u>57.5</u>	<u>57.5</u>	<u>57.5</u>
Revenue Dedicated for Capital Improvements	13.5	1.7	(-1.9)	(-2.4)	44.2	-

(A) Assumes toll schedule of Enclosure 1.

(B) Includes concession revenues, Arts Center revenues, and investment income applicable to debt service.



Garden State Parkway

Memorandum

DATE: October 7, 1986

TO: James W. Conlon, Chief Engineer

FROM: A. V. Kokatnur

SUBJECT: PARKWAY CONSTRUCTION FUND PROJECTS AND
UNBUDGETED PROJECTS TO BE DEFERRED

Attached is a list of Parkway Construction Fund projects and unbudgeted projects which will have to be deferred if the Parkway Construction Fund is depleted as set forth in my memorandum of October 2, 1986, a copy of which is attached. The estimated \$15,400,000 cost of advanced right-of-way purchase for certain projects has been deducted from the estimated deferred costs noted hereunder.

The deferred list includes three categories of projects:

- (A) Construction Contracts scheduled for bidding but not yet awarded (excluded are seven construction contracts that it is assumed will be awarded at the October Authority Meeting). The estimated deferred cost, including supervision and contingencies, is \$65,600,000.
- (B) Authorized projects in the Capital Improvement Program that have not yet been scheduled for bidding. The estimated deferred cost is \$327,400,000. Some of these projects, or portions thereof, are already under study or under design.
- (C) Three unbudgeted items for immediate improvements to the State-owned sections when the legal transfer to Authority jurisdiction takes place. The estimated deferred cost is \$43,400,000. These items are not presently included in the \$580,000,000 Capital Improvement Program.

Kocatnur
A. V. Kokatnur

AVK/kl
Encs.

cc: G. P. Zilocchi
W. F. Smith
F. M. Palombo
T. J. Critchley
J. Flynn
C. A. Kocatnur

G. V. Nielsten, Vollmer Associates
J. C. Johnson, Government Finance A
L. Edwards " "
F. Zavaaglia " "

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October 7, 1986

LIST OF PARKWAY CONSTRUCTION FUND PROJECTS
AND UNBUDGETED PROJECTS
TO BE DEFERRED BASED UPON
VOLLMER 9/27/86 ASSUMPTIONS

1. Project 30 (g) Toll Facilities - Systemwide expansion and improvement: Estimated Cost \$68,800,000
2. Contract 34-744 Lane Control System, Union to Essex: Estimated Cost \$1,200,000
3. Project 35 (d) Maintenance Areas - Central Maintenance Garage: Estimated Cost \$2,500,000
4. Project 35 (g) Maintenance Areas - Renovate District 2: Estimated Cost \$2,000,000
5. Project 35 (h) Maintenance Areas - Renovate Districts 5, 6 and 7: Estimated Cost \$4,500,000
6. Project 35 (i) Maintenance Areas - Renovate District 4: Estimated Cost \$1,500,000
7. Project 35 (j) Maintenance Areas - District 4, 5 and 6 Satellite Areas: Estimated Cost \$4,500,000
8. Contract 37-739, Site Improvements to Atlantic City Service Area: Estimated Cost \$5,700,000
9. Contract 37-740, Site Improvements to Vaux Hall Service Area: Estimated Cost \$3,900,000
10. Project 37 (a) Service Areas and Police Buildings - Montvale Circulation Improvements: Estimated Cost \$1,500,000
11. Project 37 (e) Service Areas and Police Buildings - Monmouth Parking Improvements: Estimated Cost \$5,000,000
12. Project 37 (l) Service Areas and Police Buildings - New Service Area: Estimated Cost \$15,000,000
13. Contract 38-736 Landscape Planting, MP 97.8 to MP 100.9: Estimated Cost \$1,400,000
14. Project 38 Landscaping: Estimated Cost \$1,500,000
15. Contract 41-734 Pavement and Drainage Restoration, MP 17 to MP 38: Estimated Cost \$11,500,000
16. Contract 41-743 Pavement and Drainage Restoration, MP 0 to MP 17: Estimated Cost \$11,500,000

17. Project 41 (c) Pavement Restoration - Continuing program:
Estimated Cost \$9,000,000
18. Project 50 Equipment Additions: Estimated Cost \$3,000,000
19. Contract 84-682 Settlement Repairs at Cheesequake Creek,
MP 119 to MP 123: Estimated Cost \$10,200,000
20. Contract 84-741 Rehabilitation of Four Bridges at Great
Egg: Estimated Cost \$3,000,000
21. Contract 84-748 Misc. Bridge Repairs between MP 105.4
and MP 125.4: Estimated Cost \$800,000
22. Project 84 (b) Extraordinary Maintenance - Bridge Repair
Program: Estimated Cost \$8,000,000
23. Contract 87-747 Improvements to Interchange 114:
Estimated Cost \$4,900,000
24. Project 87 (b) Misc. Improvements - Route 440 Ramp
Improvements: Estimated Cost \$4,000,000
25. Project 87 (c) Misc. Improvements - Interchange 105,
Hope Road-Route 36 Improvements: Estimated Cost \$3,500,000
26. Project 87 (h) Misc. Improvements - Central Stores
Warehouse: Estimated Cost \$2,300,000
27. Contract 95-632 Interchange 74 Roadway Improvements:
Estimated Cost \$4,500,000
28. Contract 95-633 Interchange 74 Toll Building Improvements:
Estimated Cost \$1,200,000
29. Project 99 Additional Ramps at Interchange 142: Estimated
Cost \$18,000,000
30. Contract 100-742 Landscaping Improvements at the Woodbridge
Administration Building: Estimated Cost \$300,000
31. Project 101A (d) Parkway Widening from Asbury Park
to Interchange 83 - Interchange 91 to Interchange 88:
Estimated Cost \$16,400,000
32. Project 101A (e) Parkway Widening from Asbury Park
to Interchange 83 - Interchange 88 to Interchange 83:
Estimated Cost \$20,500,000
33. Project 101A (f) Parkway Widening from Asbury Park
to Interchange 83 - Service Roads, Interchange 91 to
Interchange 88: Estimated Cost \$50,000,000
34. Contract 101D-721 Toms River Toll Plaza Expansion:
Estimated Cost \$2,000,000

35. Contract 101D-722 Toms River Toll Administration Building:
Estimated Cost \$1,200,000
36. Contract 101F-723 Barnaget and New Gretna Toll Plaza
Expansion: Estimated Cost \$2,300,000
37. Project 103 Essex County Service Roads: Estimated
Cost \$3,800,000
38. Project 112 Atlantic County Improvements: Estimated
Cost \$22,500,000
39. Project 115 Widening Inner Roadways: Estimated Cost
\$54,700,000
40. Project 116 New Interchange 116: Estimated Cost \$4,900,000
41. Unbudgeted item - Immediate improvements to State-owned
Cape May Section: Estimated Cost \$12,000,000
42. Unbudgeted item - Immediate improvements to State-owned
Toms River Section: Estimated Cost \$16,400,000
43. Unbudgeted item - Immediate improvements to State-owned
Middlesex-Union Section: Estimated Cost \$15,000,000

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

January 22, 1987

Present: Chairman Judith H. Stanley
 Vice Chairman Lionel M. Levey
 Commissioner Joseph P. Miele
 Commissioner H. George Buckwald
 Executive Director George P. Zilocchi
 General Counsel Fox and Fox represented by
 Martin S. Fox and Arthur D. Grossman
 Jean Steifle, Esq. (not including Items 1 and 2 below)

Com. John J. Robinson
per 3/2/87 letter of BOC
transmitted 2/87
Open Minutes

1. Financing.

Chairman Stanley reported that she, Commissioners Levey, Robinson and Sambol, and Executive Director Zilocchi recently met with the Governor to review the Authority's proposals for a ramp toll increase and a barrier toll increase. After reviewing the relevant facts and figures, the Governor approved of the Authority's proposal for the ramp toll increase which may be implemented immediately. The Governor also approved of the Authority's proposal for a barrier toll increase provided that the Authority not proceed with or implement that increase until the end of 1987.

At the same 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 a 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 increase. In order to satisfy the Authority's financial needs during the year 1987 and to achieve these ends, it was decided that the Authority should obtain temporary financing through bank anticipation notes. In addition, this proposal would also allow for the Authority to take over the State owned section without that acquisition being directly tied to the toll increase as well.

During the course of the discussion of this item, the Chairman spoke directly to the Governor presenting the aforesaid proposal. The Governor approved of the proposal.

That portion of this matter which involved the approval of the reception building was transferred to the public agenda as Items 7G and 7H and was voted on and approved by the Commissioners at the public meeting. The remaining portions of this matter involved contract considerations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

2. Authority Procedures.

Zilocchi reported that at present, the Governor's staff receives a copy of the back up material for the public agenda but does not receive the back up material for the exempt agenda. That back up material has been requested in advance. On occasion, this back up material would include sensitive personnel matters. After discussion, the Commissioners approved of the request of the Governor's staff that back up material for the exempt meeting be sent prior to the meeting.

This matter involved personnel considerations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(8).

3. Engineering Contracts.

A. Monmouth Service Area.

This matter was Item 7B1 on the public agenda. Zilocchi reported that bids had just been received on January 20 with regard to proposed improvements at the Monmouth Service Area. The low bid was approximately \$6.8 million. These improvements were being made in connection with the expansion of the restaurant by Marriott.

This matter was voted on and approved by the Commissioners at the public meeting.

B. Arts Center Additional Seating.

This matter was Item 7B2 on the public agenda. Zilocchi also reported that bids had just been received with respect to this matter on January 20. The low bid was approximately \$97,000 which was over \$30,000 less than the initial bid that had been rejected by the Authority a short while ago.

This matter was voted on and approved by the Commissioners at the public meeting.

4. Legal Matters.

A. Bloomfield and Bloomfield Tax.

Grossman reported that the Authority was successful on its appeal to the Tax Court of the assessment made against the Authority by the Town of Bloomfield with regard to the restaurant at Brookdale South. This matter was reported out by Fox at the public meeting.

Grossman further reported that the Authority was continuing its negotiations with McDonald's with respect to the aborted restaurant construction at Brookdale North. This matter involved litigation and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

B. Cerami.

Grossman briefly reported that the Authority's lawsuit against Cerami was progressing. It is in its early stages. He indicated that Cerami would be filing a third party action against Hillier, the architect, in connection with the claims being made in the lawsuit.

This matter involved litigation and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

C. State Section.

Grossman reported that the discussions with the State were continuing with regard to ironing out details of the acquisition of the State owned section. A meeting between the parties is scheduled for next week with regard to various jurisdictional issues. The State is still reviewing the Authority's request that the deed be a bargain and sale deed with covenants against grantor. This matter was reported out by Fox at the public meeting.

5. Insurance.

This matter was Item 8 on the main agenda. Commissioner Padavano briefly reported that the Authority was able to obtain \$96 million of excess coverage at a cost of approximately \$2.2 million. He compared this with the Turnpike's program which was only for coverage of \$15 million at a cost of \$3 million.

This matter was voted on and approved by the Commissioners at the public meeting.

New Jersey State Library

6. Consultants.

This matter was Item 10 on the public agenda.

Zilocchi reported that each of the consultants of the Authority would be engaged on the same terms and conditions as for the year 1986.

This matter was voted on and approved by the Commissioners at the public meeting.

7. Future Development of Arts Center.

The Commissioners briefly discussed the Governor's desire for the construction of an arts center for New Jersey residents. It was agreed that the Chairman should make a statement at the public meeting that the Authority grounds at its Art Center would be available for the new proposed arts center facility. Chairman Stanley made such a statement at the public meeting.

8. Billboard.

Zilocchi and Commissioner Miele reported that a request had been made by Big Brother/Big Sister for utilization of the billboard on the Parkway. Zilocchi stated that in general, no private parties, including charities, are permitted to use the billboard. Occasionally, the billboard is used by the Meadowlands which has a reciprocal arrangement with the Arts Center pursuant to which there are Arts Center advertisements at the Meadowlands. In addition, the Armed Services occasionally request the use of the billboard. After discussion, the Commissioners denied the request.

This matter was reported out by Fox at the public meeting.

ADG: tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

February 26, 1987

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Secretary Richard S. Sambol
Commissioner John J. Padavano, Jr.
Commissioner H. George Buckwald
Commissioner Julian K. Robinson
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq.

1. Brookdale North/McDonald's.

This matter was deferred. Zilocchi stated that McDonald's was not prepared to present its position with respect to the Brookdale North restaurant contract.

2. Financing.

Chester Johnson of Government Finances Inc. and Authority Controller Frank Palombo were present during the discussion of this item.

Johnson reported that the Authority would require an infusion of capital this year pending the anticipated toll increase in 1988. He recommended short term financing through the use of bond anticipation notes for a period covering approximately twelve to fifteen months. This method would not involve a rating requirement and more importantly, would not likely involve any significant discussion on the issue of a potential toll increase. On the other hand, long term financing would directly involve consideration of the potential toll increase. It would require going through the rating procedure. During the last long term financing, the rating bureaus indicated that a toll increase would be necessary for the Authority to maintain its rating level. This would be particularly so now in light of the Authority's cash thin position.

Johnson stated that there was a ready market for the private placement of bond anticipation notes. Money market funds and insurance companies are likely sources of this type of financing. Johnson indicated that the overall cost of the private financing would not be much greater than the long term public financing considering all financial factors.

The Commissioners discussed the pros and cons of the short term private financing vis a vis the public long term financing. The Chairman also indicated that Dillon Read, the Authority's last underwriter, indicated that perhaps the Authority should pursue the long term public financing. There

was, however, concern that that approach would generate too much visibility on the toll increase issue.

There was also a discussion about keeping the acquisition of the State owned sections separate and removed from the toll increase issue.

After further discussion, it was agreed that Chester Johnson should review the matter further with representatives of the Governor's office and Dillon Read and make a final recommendation.

This matter involved contract considerations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

3. New Bank Account.

This matter was item 5 on the public agenda. Zilocchi briefly reported on the matter. This matter was voted on and approved by the Commissioners at the public meeting.

4. Legal.

A. Grossman reported that over the last weekend, a development arose in connection with litigation involving a claim against the Authority and several of its toll collectors. The case was actually pending. The Authority and the collectors are being represented by insurance counsel. It came to the Authority's attention over the weekend that one of the toll collectors admitted that he had lied on the stand with respect to a certain issue in the case. At first, it appeared that other toll collectors might have conspired with this toll collector to cover up on that issue in the case. Subsequent information revealed that that was not the case and that it was only this one individual who had not been telling the truth. This information was promptly brought to the attention of the Authority's insurance counsel and thereafter promptly brought to the attention of the court. Once the litigation is concluded, the Authority will deal further with the particular employee involved and will also look into improving its reporting procedures with regard to accidents on the Parkway.

This matter involved litigation and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

B. Cerami.

Grossman reported that the Cerami matter was proceeding in due course.

This matter involved litigation and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(4).

5. Hydraulic Systems.

Zilocchi briefly reported on this matter in accordance with the back-up memorandum. He indicated that there was no emergency now to repair the maintenance equipment in question since the winter season is nearly over. The repairs will go out to bid in due course. The litigation, which is being handled by special litigation counsel, will also proceed in due course.

This matter involved litigation and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

6. Award Of Engineering Contracts.

A. This matter was item 7B1 on the public agenda. Zilocchi reported that the matter was being deferred until the next meeting.

B. This matter was item 7B4 on the main agenda. Zilocchi briefly reported that it was necessary to make the renovations to the Holmdel State Police Barracks as promptly as possible in order to improve the detention cell facilities.

This matter was voted on and approved by the Commissioners at the public meeting.

7. Insurance Renewals.

This matter was item 8 on the public agenda. Commissioner Padavano reported that the Authority was successful in obtaining excess coverage in the amount of \$100 million. He further recommended that the staff take all precautions to make sure that claims from the State Police are promptly reported.

This matter was voted on and approved by the Commissioners at the public meeting.

8. Fiber Optics.

This matter was item 12 on the public agenda. Zilocchi briefly reviewed the basic aspects of the proposed agreement with AT&T. Commissioner Sambol indicated that the Authority should make sure that there is an appropriate indemnification from AT&T to cover any claims involving the disruption of the cable service. Commissioner Levey also suggested the possibility of trying to terminate the agreement at the end of fifteen years in the event the Authority is dissatisfied with the agreement.

This matter was voted on and approved by the Commissioners at the public meeting.

9. Personnel.

A. Personnel Director Paul Linder was present during the discussion of this matter. This was item 13B on the public agenda. Linder briefly reported on the personnel changes set forth in his back-up memorandum. Zilocchi also reported that a significant portion of the personnel changes were required for the proposed acquisition of the State sections.

This matter was voted on and approved by the Commissioners at the public meeting.

B. Utility Employees.

Linder briefly reported on the new terms and conditions of the collective bargaining agreement with the utility employees. This matter was item 13A on the public agenda. This matter was voted on and approved by the Commissioners at the public meeting.

10. Transportation Fund.

Chairman Stanley and Zilocchi briefly reported on the request of the Transportation Fund for support of proposed legislation in favor of the gasoline tax. After discussion, the Commissioners agreed to support the proposed legislation. A resolution to this effect was made and voted on at the public meeting.

11. State Owned Sections And Executive Order.

Jean Steifle was not present during the discussion of this matter.

Grossman reported on his meeting with Commissioner Gluck and representatives of the DOT with respect to the acquisition of the State owned sections. There were two issues to be resolved at yesterday's meeting. The first issue dealt with the maintenance responsibility for the marginal road which is located near the Administration Building. The DOT was very firm on its position that the Authority should take over that marginal road as a part of the take over of the State owned sections. After discussion, the Commissioners agreed that the Authority would take over this marginal road responsibility.

The second issue that was addressed at the meeting was the form of deed to convey the State owned sections to the Authority. The Authority initially desired a bargain and sale deed with covenants against grantor's acts. The DOT countered with an offer of a bargain and sale deed. Grossman indicated that the matter was thoroughly discussed at the meeting. The

State maintained its position of a bargain and sale deed. The State would be willing to give three representations: that it has good title, that there are no liens on the State owned sections and that there are no mortgages on the State owned sections. The State would not give a representation that there were no encumbrances or encroachments on the property. There was a discussion on the issue and the risks involved in terms of the proposed offer of the State. After discussion, the Commissioners decided to except the offer of the State on the form of conveyance provided however the Commissioners would like, if possible, a representation that the State has no knowledge of any written claims of third parties seeking ownership of or an interest in the State owned sections. Grossman was directed to make that request of Commissioner Gluck. However, if the State is unable to give that additional representation, the Authority will proceed without it.

There was no discussion on the executive order issue other than Zilocchi reporting that the Authority had submitted its position paper on the subject.

These matters involved legal considerations and therefore were not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

12. Mobil.

This matter was deferred. Zilocchi reported that negotiations with Mobil were continuing and that a report would be made at the next meeting.

ADG:tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

March 26, 1987

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Secretary--Richard S. Sambol
Treasurer Julian K. Robinson
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq.
James Weinstein

1. Financing.

Chester Johnson was present during the course of the discussion of this item. Johnson reported that in accordance with Executive Order 147, the Authority submitted its plan for refinancing to the State Treasurer. Johnson further stated that the Authority had received a reconfirmation from the Governor of approval for the barrier toll increase provided that such toll increase was not made public until after the first week in November 1987. Johnson indicated that the short term financing sought by the Authority could be based only upon the approved toll increase for the ramps and not based upon any anticipated barrier increase. In addition, the Governor and State Treasurer require that the short term financing not adversely affect the Authority's rating.

Johnson stated that the next step in the procedure would be for him to meet with the rating agencies. Johnson continues in his recommendation for short term financing. Long term financing at this point is not feasible if it were to be based solely upon revenues from a ramp increase. The short term financing would be in the vicinity of \$75 million to \$80 million. The Commissioners authorized Johnson to proceed to meet with the rating agencies.

Fox briefly reported this matter at the public meeting.

2. McDonald's.

Zilocchi briefly reported on the background of the current dispute with McDonald's. At the time of the execution of the Brookdale North contract, which now will not be implemented, McDonald's had agreed to increase its rental payments at Vauxhall and Brookdale South by 1% in exchange for a four year extension to 1995. Since the Brookdale North contract will not be implemented, McDonald's was seeking a further extension of the

Vauxhall and Brookdale South contracts in order to maintain the increased rental. McDonald's had submitted a written proposal to the Authority requesting an extension to the year 2000. As a part of that proposal, it further agreed to increase the rental an additional 1% (on a sliding scale from 14% to 18% as opposed to a sliding scale of 13% to 17%) starting however only in the year 1995.

At this point, representatives of McDonald's attended the meeting. Representing McDonald's were Dick Christian, Joe Thomas and Bill Ochter. Christian spoke on behalf of McDonald's. He indicated a willingness to split the \$150,000 cost invested by McDonald's after giving the Authority credit for its expenditures as well. He then repeated the offer of McDonald's for an additional five year term to the year 2000 with an increased rental ranging from 14% to 18% depending upon volume.

McDonald's was advised that the Authority had to further consider its proposal. McDonald's representatives left the meeting. It was agreed that Levey, Zilocchi and Grossman would meet to review the proposal and to come up with some counteroffer.

Fox briefly reported on this matter at the public meeting.

3. Legal.

A. State Owned Sections.

Grossman reported that subsequent to the last meeting, he had prepared a form of deed and affidavit of title and submitted same to Susan Roop. The DOT is reviewing the deed and affidavit and is apparently making some changes. It is hoped that the changes will be made promptly. Grossman indicated that the Authority was ready in all respects to sign the agreement.

B. Mobil.

Grossman reported that he, together with members of the staff, have had several negotiations with Mobil with respect to the operation of the service stations on the Parkway. The current Mobil agreement terminates on January 31, 1988. Mobil is extremely anxious to remain on the Parkway under a long term license agreement. Grossman reported that much of Mobil's desire to keep the Parkway service stations is based upon Mobil's recent failure to secure the license agreement for the service stations on the Turnpike. As a result, Mobil has made the Authority an extremely attractive offer which in substance is as follows:

1. The term of the agreement will be for ten years.
2. Mobil will pay the Authority \$.10 per gallon. At the end of the fifth year, there may be an upward adjustment in the price based upon a CPI factor. In no event, however, will

the rental be less than \$.10 a gallon.

3. Mobil will pay the Authority \$10 million. Of this amount, \$2.5 million will be paid upon signing and \$2.5 million on December 31, 1987. For the mutual benefit of both parties, this \$5 million sum will be paid to the Garden State Arts Center Foundation to be used in connection with Cultural Fund matters. The balance of the \$5 million will be paid directly to the Authority construction fund by way of \$1 million payments made in the sixth through the tenth years of the license agreement.

4. It will be a net/net license agreement.

5. Mobil will be permitted to charge \$.01 above the survey price.

Commissioner Levey indicated that the agreement should have definitive guidelines for staffing in terms of wages and the required number of employees to be working at the service stations. Commissioners Sambol and Buckwald asked whether any other oil companies had expressed an interest. Grossman reported that Exxon had submitted a written proposal well below that of Mobil. In addition, there had been discussions with Amoco and Texaco but neither of those two companies actively pursued the matter.

After further discussion, the Mobil proposal was accepted in principal. Grossman will prepare the agreement for submission to Mobil and it is anticipated that the agreement will be submitted for formal approval at the April meeting.

Fox briefly reported this matter at the public meeting.

C. Marriott.

Grossman reported that the Authority and Marriott recently resolved a dispute regarding the Marriott capital improvement program. Marriott had sought to take credit for expenditures for renovation of the rest rooms. It was the Authority's position that those expenditures would not qualify for the capital improvement program since they were required under other provisions of the license agreement. Marriott has accepted the Authority's position. Fox reported this matter at the public meeting.

4. Rigging System Repairs.

This matter was matter Item 5H on the public agenda. Zilocchi briefly reported as to the need for the emergent repairs of the rigging system at the Arts Center consistent with the back up memorandum supporting the public agenda item.

The Commissioners unanimously approved this matter at the public meeting.

5. Local 196.

Labor counsel Mel Gelade was present during the course of the discussion of this matter. He briefly reported that the Authority and the union have agreed to certain modifications in the existing contract regarding non-economic issues. This agreement will be confirmed in writing and then will be presented to the Commissioners for formal approval at the April meeting. Fox briefly reported this matter at the public meeting.

6. Affirmative Action.

Personnel Director Paul Linder was present during the discussion of this matter. He circulated a summary setting forth the Authority's compliance with its affirmative action goals. As the summary indicated, the Authority needs to improve its efforts in certain areas such as toll collectors. In other areas the Authority has more than satisfied its goals. This matter was reported out by Fox at the public meeting.

7. ATS Machine And Computer.

These matters were Items 5I and 5J on the public agenda. Commissioner Miele briefly reported that the test machines from ATS were being installed and were to be tested against the French machine that the Authority purchased on a test basis last year.

With respect to the computer matter, Commissioner Miele reported that the computerization of the Authority operations was moving slowly but surely. The Authority is in the process of redrafting its bid specs and it is hoped that those specifications will be ready to be bid shortly. Commissioner Miele further stated that the micro processor system was moving forward.

The Commissioners unanimously approved of each of these matters at the public meeting.

ADG: tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

April 23, 1987

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Treasurer Julian K. Robinson
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq.

1. Mobil Oil Corp.

Grossman reported on the negotiations with Mobil Oil with respect to the proposed contract with Mobil for the operation of the service stations on the Parkway. Grossman stated that there were four issues yet to be resolved between the parties. The first issue relates to the question of the payment of the initial \$5 million due in 1987. During the negotiations, it was agreed that this payment would be made by Mobil to the Garden State Arts Center Foundation. However, Mobil has now expressed a reluctance to do so. Because of its relationship with its foundation, it cannot make a contribution to the Arts Center Foundation. In addition, it must be sure that the payment is deemed to be rent. Commissioners Miele and Buckwald also raised a possible question with regard to the payment to the Foundation. It was agreed that the matter should be reviewed further.

Mobil also raised three economic issues. Although it agreed to a rent reopener after five years, it is now unwilling to do so. It also desires to pay the annual \$1 million payments in the sixth through tenth years of the contract at the end of such years as opposed to the beginning of such years. It also raised a question as to whether it would be responsible in the future for complete renovations to the service stations even though during the negotiations it was made clear that Mobil would take the service stations on an "as is" triple net basis.

Grossman indicated that Mobil acknowledged that it had agreed to each of these items during the course of negotiations but pursuant to the directive of its Executive Committee, it has re-examined the economics of the proposed transaction. Even though Mobil seems to be backing off on some of its commitments, the Mobil proposal still is far superior to the proposal given to the Authority by Exxon.

It was agreed that negotiations with Mobil should continue. The Chairman, Vice Chairman, Executive Director and General Counsel will continue with such negotiations and report back at the next meeting.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

2. Legal Matters.

A. State Owned Section.

Grossman reported with respect to the latest negotiations on the State owned section matter. Prior to the last meeting, Grossman had submitted a form of deed and affidavit of title to the State. Susan Roop of the Attorney General's Office has since revised the affidavit of title and form of deed. Concern was expressed with regard to the form of deed. It provides for a reverter clause in the event that the State owned section is not used for highway purposes. This would not permit the Authority to declare any such portion of the State owned section as surplus even if the Authority were to build and pay for a parallel or revised roadway. Grossman indicated that Ms. Roop suggested the possibility of changing the form of deed to provide that the property would be used in accordance with the Authority's enumerated powers. This provision in a non-reverter fashion would be acceptable to the Authority. Grossman was authorized to convey this position to the State.

This matter involved contract negotiations/legal matters and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

B. Reception Facility.

Zilocchi and Grossman reported on the recent meeting with Senator Orechio regarding concerns about the proposed reception facility. The Senator and his committee had raised a question as to whether the construction of the facility would violate the Authority's enabling act. The Senator had received an opinion from the OLS to that effect. Zilocchi indicated that prior to the meeting, he had sent the Senator the opinion of the Robinson firm indicating that the construction would not violate the Authority's statutory powers. At the meeting, additional reply opinions were furnished to Senator Orechio. These reply opinions were of Fox and Fox and the Robinson firm. Zilocchi reported that the meeting, which was attended by the Chairman and Commissioner Padavano, went reasonably well.

There is a legislative hearing scheduled for April 30, 1987. The Chairman, Commissioner Padavano, Zilocchi and Grossman will attend the hearing on behalf of the Authority.

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's Office for review and consultation.

This matter involved contract negotiations/legal matters and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

3. Contract 101A-691, Change Order No. 6.

Zilocchi briefly reported that a change order for nearly \$1 million would be issued to the contractor in the above matter. The change order resulted largely from failure of the engineer, Parsons, to determine roadway and borrow excavation quantities at the outset of the contract. Except for very small amounts, the change order involves only payments for additional material and does not involve any redo work or duplicate payments by the Authority. Zilocchi reported that he brought in Parsons to review the matter. The engineering staff is reviewing the matter further to see if any additional payments constitute redo or duplicate work and if so, those charges will be sought from Parsons.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

4. Car Tokens.

There was a discussion regarding the replacement of tokens as set forth in the back up memoranda to this item.

Fox reported this matter at the public meeting by indicating that there was a preliminary discussion on a possible change in tokens.

5. Financing.

Chester Johnson and Frank Palombo were present during the course of the discussion of this matter.

Johnson reported that he had contact with both rating agencies and neither has concern about short term financing with long term financing to follow in approximately a year. He indicated that Moodys raised a question as to whether there was political readiness to put in a toll increase. It indicated that it would like to be kept abreast of the situation as the Authority proceeds. Standard & Poor, in addition, would like a presentation on the capital improvement program of the Authority. Johnson reported that the next step is to proceed

with the short term financing.

Fox reported this matter out at the public meeting by stating that Johnson gave a report on the status of the studies on possible short term financing for the capital improvement program.

6. Authorization/Self-Insured Claim Settlements.

Zilocchi reported on the policy presently in place authorizing the settlement of self-insured claims as per the back up memorandum on this item.

Fox reported this matter at the public meeting by stating that there was a report by the Executive Director on the method of settling self-insured liability claims.

7. Festivals.

The Commissioners discussed which Commissioner would be present at each of the individual ethnic festivals.

Fox reported this matter out at the public meeting by indicating that there was a discussion as to the format of the heritage festival programs.

8. Vietnam Memorial.

There was a brief discussion as to the location of the proposed Vietnam Memorial at the Garden State Arts Center. Fox reported this matter out at the public meeting.

9. Arts Center Rental.

Zilocchi reported that a group has requested to use the Arts Center for the Spinks/Cooney heavyweight fight on June 15, 1987. After discussion, Zilocchi was given authority to continue negotiations.

This matter involved a contract negotiation and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

ADG:tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

May 28, 1987

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Treasurer Julian K. Robinson
Secretary Richard S. Sambol
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq.

1. Branch Lanes.

Chief Engineer James Conlon and Jerry Neilson of Volmer Associates were present during the discussion of this matter.

Zilocchi stated that with increased traffic volume and the possibility of anticipated use of multi-coin operation, there will be a need to add extra lanes to off set any resulting traffic delays. Permanent expansion is costly and time consuming. Volmer Associates has suggested the utilization of branch lanes as an interim measure.

Nielson picked up the discussion at this point. He indicated, in accordance with his back up memorandum, that twenty branch lanes will be required. Most of the branch lanes will be located subsequent to the toll plaza as opposed to in front of the toll plaza for safety considerations. The branch lanes will likely have an automatic lane and a manual lane to better prevent against toll violations. Nielson reviewed plans showing the various locations of the proposed branch lanes.

General Counsel Fox reported this matter at the public meeting.

2. Mobil.

Zilocchi and Grossman reported that negotiations with Mobil were continuing. There is some concern with the adequacy of the rental for the second five year period of the contract without an appropriate rent reopener. It is expected that Zilocchi and Grossman will meet with Commissioner Levey to further review the matter and continue the negotiations with Mobil.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

3. McDonald's.

Zilocchi and Grossman reported that negotiations were proceeding well with McDonald's with respect to the aborted Brookdale North Restaurant and revising the contract between the parties for the Brookdale South and Vauxhall restaurants. The parties are very near agreement. It is expected that these negotiations will result in an agreement to be presented at the next meeting.

This matter involved legal matters and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

4. Financing.

Zilocchi stated that Chester Johnson has met with Treasury and as a result of that meeting has been instructed to approach several banks in both New Jersey and New York. Treasury had indicated that the 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 (Midlantic is not available since it is the trustee). The New York banks to be contacted are Morgan and Chase Manhattan.

Commissioners Buckwald and Levey expressed concern that only two New Jersey banks were being considered. The Commissioners agreed that a much more concerted effort should be made to do the transaction with a New Jersey bank.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

5. State Section.

Grossman reported that the parties had essentially agreed upon the final language in the agreement and deed. The deed will essentially provide that the property shall be conveyed subject to the condition that it be used in accordance with the statutory purposes of the Authority and that the State reserved unto itself the right to enforce that condition by way of judicial relief. Grossman further indicated that the State had received a memorandum from the DEP advising that the transaction was not subject to ECRA. However, the Authority will do an examination to determine if there are any environmental or other problems which currently exist so as to establish that such conditions do exist prior to closing in which case the State would be responsible for any liability resulting therefrom.

The matter is being presented to the State House Commission for approval on June 3. Assuming it is approved, Grossman indicated that the agreement should be presented for

formal approval to the Commissioners at the June 25 meeting. Grossman indicated that he would propose to have a pre-closing prior to June 25 to assemble all required documentation and to iron out any remaining details. Thereafter, between June 25 and July 1, there should be a formal and ceremonial closing at which appropriate representatives of the DOT and the Authority would attend.

Fox reported this matter at the public meeting.

6. Legal Matters.

Grossman briefly reported that the Cerami matter was proceeding in due course. Additional parties, such as the architect and a sub-contractor, have been joined. It is expected that the litigation will now move more quickly.

This matter involved legal matters and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

7. Authorities Unit.

Zilocchi reported that a request has been made of the Authority, as well as all other authorities, for a payment of \$30,000 to off set expenses of the Unit. The Commissioners agreed that the payment should be made. It will go into the July budget.

Fox reported this matter out at the public meeting.

8. Executive Order 172.

Zilocchi reported that he has spoken to representatives of the Turnpike and Expressway and that representatives of the three toll roads will get together to review and present a unified procedure for compliance with Executive Order 172.

Fox reported this matter out at the public meeting.

9. Reception Facility.

Zilocchi reported that the staff was in the process of collecting the information and documents requested by the Senate with respect to the reception facility. It is anticipated that such information and documents will be completely gathered by next week and then submitted to the Senate.

Fox reported this matter out at the public meeting.

10. Other.

There was a wide ranging discussion among the Commissioners which essentially focused on landscaping and related matters, particularly those matters set forth in Items 7A3 and 7C3 on the main agenda. In this context, the need for continued landscaping and erosion prevention measures were discussed by the Commissioners.

Fox reported this matter at the public meeting.

ADG: tms

EXECUTIVE DIRECTOR

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MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

June 25, 1987

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Treasurer-Julian K. Robinson
Secretary Richard S. Sambol
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq.

1. State Section.

Grossman reported that the negotiations and documentation for the acquisition of the State owned sections of the Parkway have been concluded. The parties recently resolved certain problems involving the description to the various State sections. The only document that needs to be prepared is the revised description to the deeds. The DOT will be preparing the revised descriptions.

Grossman reported that the closing will take place on July 1, 1987 at 3:30 p.m. at the offices of the Highway Authority. At that time, the acquisition agreement will be signed by Chairman Stanley and Commissioner Gluck. All other documents in connection with the transaction will be signed before then to expedite the closing on July 1.

Grossman further indicated that under the agreement, the State is responsible for the condition of the State owned sections prior to closing. As a precautionary matter, the Authority will be examining the maintenance yard in the Union/Middlesex section to determine if any conditions exist which are the responsibility of the State.

This matter was Item 16 on the public agenda. The Commissioners unanimously approved this matter at the public meeting.

2. Short Term Financing.

Chester Johnson was present during the course of the discussion of this matter. Johnson reported that the Authority had received four proposals for the short term financing. Proposals were made by Fidelity, Chase Manhattan, Morgan and United Jersey Bank. Johnson recommended that the Authority proceed with the Morgan proposal for the reasons set forth in his back up memorandum. Johnson was authorized to proceed to prepare the necessary loan documents with Morgan and to obtain all required

approvals from the Office of the Governor and Treasurer as required by law.

This matter involved legal matters and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act N.J.S.A. 10:4-12(b)(7).

3. Appointment of Bond Counsel With Regard to Short Term Financing.

This matter was deferred in light of the action taken on the short term financing.

4. Executive Order 172.

This matter was Item 15 on the public agenda.

Zilocchi briefly reported as to the main aspects of the Authority's policy and procedures under Executive Order 172. This matter was voted on and approved by the Commissioners at the public meeting.

5. Legal Matters.

Grossman reported that the Authority recently submitted requested documentation and information to the Senate Subcommittee with regard to the Reception Facility. He further reported that the Authority was gathering information and documentation to be sent to Senator Rand's Transportation Subcommittee. These items were reported out by Fox at the public meeting.

Grossman further reported that the Authority was about to become involved in certain projects which might be in the CAFRA area. Preliminary indications are that these projects are either covered by the Authority's existing CAFRA permit or are not within the scope of CAFRA regulations.

This matter involved legal considerations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

6. Labor Negotiations.

Mel Gelade and Paul Linder were present during the discussion of this matter.

Gelade reported on the status of the negotiations with Local 196. Some issues have been resolved but most of the issues have not been resolved. Gelade received general instructions from the Commissioners with regard to proposed increases in wages. Gelade did not believe that a strike would take place on the expiration date of June 30, 1987. However, all emergency plans are in effect if that occurs. He anticipates that the

negotiations will go on through the weekend and hopefully a contract can be arrived at on Monday.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

7. Personnel. --

This matter was Item 17 on the public agenda. Zilocchi and Linder reported on the proposed personnel changes in accordance with the back up memoranda. This matter was voted on and approved by the Commissioners at the public meeting.

8. Mobil Oil.

Zilocchi and Grossman reported that negotiations with Mobil were continuing. Another meeting will be scheduled shortly after July 4. It is anticipated that the matter will be concluded by the July Authority meeting.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

9. McDonald's.

Zilocchi and Grossman reported that McDonald's recently submitted the balance of its proposal early this week. The proposal is being considered. It is likely that this matter will also be concluded by the July meeting.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

ADG:tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

July 23, 1987

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Secretary Richard S. Sambol
Treasurer Julian K. Robinson
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq.

1. Relocation of Administration Building.

Chief Engineer Jim Conlon was also present during the course of the discussion of this matter.

Zilocchi briefly reported on the Hillier study. It is acknowledged that the existing structure is inadequate and that the Authority, from a long range planning point of view, will require larger quarters. Hillier has come to the conclusion that the Authority should build a new building at Telegraph Hill. The net costs, after giving credit for the sale of the existing building, will be in the vicinity of \$3.6 million. Hillier considered but did not recommend alternatives to expand the existing building.

The Commissioners discussed the pros and cons of expansion vis a vis a new structure. It was agreed that the concept of building a new structure should be brought to the attention of the Office of the Governor.

Fox reported this matter at the public meeting. He stated that the Commissioners had a preliminary discussion regarding the possible relocation of the administration building.

2. Temporary Office Space.

This matter was referred to the Engineering Committee. No discussion was held with respect to the matter.

3. Short Term Financing.

Chester Johnson, Frank Palombo and John Flynn were present during the discussion of this matter.

Johnson reported that he had had discussions with Morgan Guaranty regarding the loan and the form of loan agreement. He recommended that execution of the agreement be delayed at least a

month or two. The Authority does not require the funds at this time. He recommended that the Authority approve of the loan in either August or September. At that time it will still be able to take advantage of the current tax exempt mode. In addition, it will be necessary for the Authority to expend all of the funds within a period of six months to take advantage of the arbitrage provisions. Johnson further indicated that the entire proposal has been cleared with Treasury.

Fox briefly reported out this matter at the public meeting.

4. Local 196.

Mel Gelade and Paul Linder were present during the discussion of this matter.

Gelade reported on the substance of the recent negotiation. The new contract will be for a term of two years although the union has requested the possibility of negotiating a third year. The increase for the first year is 6% plus 15¢ which comes to approximately 7.5%. The increase for the second year is 6%. Gelade further reported on the various non-economic issues that the Authority obtained during the course of the negotiations.

This matter was Item 12A on the public agenda. The matter was voted on and approved by the Commissioners at the public meeting.

5. Personnel.

Gelade and Linder were also present during the discussion of this matter.

Linder reported on the various proposed personnel changes as per his back up memorandum. One group of changes included certain personnel in the tolls section. Commissioners Robinson and Miele raised concern about certain persons in this section and accordingly the tolls section was deleted from consideration.

Zilocchi reported that Frank Palombo will retire in July 1988. In accordance with past practice, Zilocchi recommended that Palombo's position be changed to Director of Finance and that the Assistant Controller, John Flynn, be promoted to Controller at this time on a temporary basis to ease the transition. This matter was added to the list of proposed personnel changes.

The next issue considered was the percentage increase to be given to non-union personnel in light of the recently concluded collective bargaining agreement with Local 196. The Commissioners agreed that the increase for non-union personnel should be 7.5%.

All of the above was Item 12B on the public agenda. The Commissioners unanimously approved this matter at the public meeting.

In addition, the Commissioners discussed a proposed salary increase for Executive Director Zilocchi who was not present during the discussion of this matter. The Commissioners agreed that Zilocchi had performed his duties extremely well. They recommended a \$10,000 raise. It was suggested that the proposed raise be cleared with the Office of the Governor prior to implementation. This portion of the discussion therefore involved personnel matters and was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12B8.

6. State Police.

Tom McGowan, Dave Ryan and Captain Kinzer were present during the discussion of this matter.

Captain Kinzer reported on the need for additional troopers as per his back up memorandum. Currently there are 156 troopers for the Parkway. The Captain proposes an additional 44 troopers over a period of three years. The cost will be approximately \$3 million. After discussion, the Commissioners unanimously agreed that a letter of intent should be drafted for formal approval of the proposal.

This matter was a personnel matter and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12B8.

7. Mobil.

Grossman reported that the negotiations with Mobil had been concluded with the assistance of Commissioner Levey. The main remaining issue of the rent reopener after five years was resolved. Essentially, the parties will renegotiate at that time and either party will have the right to terminate with payments to be made back to Mobil in the event of termination depending upon who opts for the termination. In effect, Mobil will be getting back a portion of the \$5 million being paid up front if the transaction is not amortized over the expected term of ten years. A form of contract has been prepared and sent to Mobil. It is anticipated that the matter will be submitted for approval to the Commissioners at the August meeting.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12B7.

8. McDonald's.

Grossman reported that the Authority has not heard from McDonald's with respect to its most recent proposal. For some reason, McDonald's is not acting with dispatch with regard to these negotiations. Efforts will be made again to conclude the matter with McDonald's as promptly as possible.

This matter involved contract negotiations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12B7.

9. Legal.

Grossman reported that Les Martin of the DOT advised the Authority this morning that the Authority should consider reporting its proposed restriping of the Union/Middlesex area to the Federal Highway Administration. Item 9H on the public agenda was for the award of design services for the proposed restriping. Grossman stated that Martin had indicated that although there was no requirement to seek approval from the Federal Highway Administration, the DOT in the past has kept the Federal Highway Administration on notice with respect to these types of improvements.

Since Item 9H was only for design services, it was decided to proceed with this item on the public agenda. It was generally agreed that the Authority would advise the Federal Highway Administration of the proposal as it proceeds although counsel will look into the question of whether there is any legal requirement to do so.

This matter involved legal considerations and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12B7.

ADG:tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

August 27, 1987

Present: Chairman Judith H. Stanley
Vice Chairman Lionel M. Levey
Secretary Richard S. Sambol
Treasurer Julian K. Robinson
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Arthur D. Grossman
James Weinstein

1. Financing.

Chester Johnson, Frank Palombo and John Flynn were present during the discussion of this matter.

This was Item 5A, 5B and 5C on the public agenda.

Johnson briefly reported on the status of the matter. He stated that the credit agreement with Morgan Guaranty was substantially in place and that 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 and Poor, and that each of these agencies indicated this short term financing would not adversely affect the rating of the Authority. However, he did indicate that Standard and Poor would like to meet with representatives of the Authority and the State later in the year with respect to any proposed increase in tolls.

This matter was voted on and approved by the Commissioners at the public meeting.

2. Legal Services/Short Term Financing.

This matter was Item 6 on the public agenda. In connection with the refinancing, bond counsel submitted a proposal for a fee not to exceed \$20,000. This was acceptable to the Commissioners.

This matter was voted on and approved by the Commissioners at the public meeting.

3. Personnel.

Personnel Director Paul Linder was present during the discussion of this matter. This was Item 11 on the public agenda. Linder briefly commented on the proposed personnel changes. This matter was voted on and approved by the Commissioners at the public meeting.

4. Legal Matters.

A. Mobil.

Grossman reported that the negotiations with Mobil had been concluded and that the parties had agreed in substance on a form of contract. However, since Mobil would now be assuming liability and responsibility for the underground storage tanks (unlike its previous agreement), Mobil has requested the opportunity to conduct tests before it undertakes that responsibility. It is expected that those tests will be completed within the next three weeks and that the agreement will be submitted for formal approval to the Commissioners at the September meeting.

B. McDonald's.

Grossman reported that the Authority was finally able to schedule a meeting for September 3 with McDonald's to finalize the negotiations with respect to new contracts for the operation of the restaurants at Vauxhall and Brookdale South. Essentially, there is only one issue left open -- capital improvements. It is hoped that this issue will be resolved at the September 3 meeting.

C. Coin Machine Specifications.

Grossman reported that the staff had completed specifications for an award of a contract for automatic coin machines. It is anticipated that the specifications will go out shortly. Under the specifications, the Authority will have the options of purchasing the machines or leasing them for a period of ten years.

Commissioner Miele raised a question as to whether either of the two known vendors would be capable of meeting the specifications as currently drawn. Grossman indicated that neither of the vendors actually had a particular coin machine system as of today's date which would meet the specifications in all respects. However, it is anticipated that each of the vendors plus any other potential vendor would make the necessary changes to its automatic coin machine systems. It was agreed that Commissioner Miele and Commissioner Robinson together with General Counsel Grossman would meet further with the staff to make sure that there was a likelihood that proposed vendors would be able to meet the specifications.

D. Unisys.

This matter was Item 9 on the public agenda.

The staff has recommended an award of a lease for its computer system to Hewlett Packard. Unisys was one of the bidders. The staff concluded that overall, Hewlett Packard was the lowest responsible bidder although on the face of its supporting memorandum, Unisys was a lower bidder merely in terms of dollars. Zilocchi reported that Unisys just delivered a letter requesting the opportunity to be heard on the matter and asserting that it was the lowest responsible bidder. Commissioner Miele indicated that he felt that Unisys had been given more than ample opportunity to make its position known. However, the letter was in the nature of a request for a hearing. Grossman indicated that under the applicable law, an ostensible low bidder has the right to request an opportunity to be heard. Under the circumstances, it was decided to postpone action on this item to give Unisys an opportunity to be heard. Accordingly, this item was removed from the public agenda.

Each of these items involved legal/contract matters and therefore were not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

5. Chanukah Menorah Ceremony.

Zilocchi reported that he had received a request from the Lubavitch sect of the Jewish Community requesting the placement of a Menorah at the Arts Center together with an opportunity to hold services for the eight nights of Chanukah. The letter request formed a part of the back up memorandum together with an opinion of General Counsel Fox. The Commissioners discussed whether it would be appropriate to permit the Menorah to be at the Arts Center under all of the relevant circumstances. There was an indication that even if permitted, having a ceremony for each of the eight nights might be excessive. A question of cost was also raised. The main issue, however, was the threshold question of whether it was appropriate to have a Menorah on the Arts Center grounds. After discussion, the Commissioners agreed that inquiry should be made of the Chairman of the Jewish Heritage Festival to better determine the overall view of the Jewish Community.

This matter involved a contract matter and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

6. Public Relations.

This matter was Item 10 on the public agenda. Zilocchi reported that the Authority had received seven proposals from public relations consultants who would assist the Authority from

time to time as and when such services were needed. He stated that the proposal of Ailes Communications, Inc. was deemed to be in the best interest of the Authority.

This matter was voted on and approved by the Commissioners at the public meeting.

7. New Jersey Transit.

Zilocchi reported that New Jersey Transit had requested the use of the north overflow parking lot at the Arts Center as a commuter lot. The details of the arrangement were set forth in the back up memorandum. In short, NJT would pay the Authority 50¢ per rider (round trip) for each rider utilizing the services of the commuter lot. However, there would be no fee due until such time as the number of riders totaled 400 per day. Commissioner Buckwald raised concern that the north overflow lot might be needed for other purposes and that there should be assurances that this arrangement could be terminated by the Authority in such event. In addition, there should be careful monitoring controls to insure proper receipts of monies by the Authority. Overall, the Commissioners approved of the matter in concept and in principal. The staff will undertake the drafting of an appropriate contract.

This matter involved a contract matter and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

8. Token Sales Program.

Jerry Neilson of Volmer and Vince Guiliano were present during the course of the discussion of this matter. Neilson reported that the Authority will shortly undertake a program to eliminate the use of tokens in manual lanes. This will be required when a discount token will be utilized in the future and efforts should be made now to educate the public. He 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.

At the public meeting, Grossman briefly reported on this matter to the effect that the Commissioners discussed the encouragement of the use of tokens.

ADG:tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

September 23, 1987

Present: Chairman Judith H. Stanley
Vice Chairman: Lionel M. Levey
Treasurer Julian K. Robinson
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox
Jean Steifle, Esq.

1. Midlantic National Bank.

Anticipated litigation and therefore not made available pursuant to N.J.S.A. 10:4-12(b) (7)

2. McDonald's.

This matter was Item 9 on the public agenda. Zilocchi briefly reviewed the proposed contract. This matter was voted on and approved by the Commissioners at the public meeting.

3. Legal Matters.

Zilocchi reported that while the Mobil agreement is now in place, Mobil has raised a question concerning alleged contaminated soil at the service areas and liability for such contamination. It was agreed that the Authority and Mobil should promptly resolve this last issue and hopefully have the Mobil agreement on the public agenda for the month of October.

This matter involved a contract matter and was therefore not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

4. New Jersey Transit.

There was a brief discussion with regard to the proposed contract with New Jersey Transit. Zilocchi reported that the matter was not fully negotiated as yet. For example, New Jersey Transit would like a ten year contract whereas the Authority is only willing to have a five year contract after a one year trial period. In addition, the Authority will want to retain the right to terminate the contract in the event it is required to use the parking lot facilities for other purposes.

Fox reported this matter at the public meeting by stating that Zilocchi had given a report on the status of the negotiations with New Jersey Transit.

5. Main Frame Computer System.

This matter was Item 7 on the public agenda. Dick Kelly was present during the discussion of this matter.

Commissioner Miele reported on yesterday's meeting with Unisys. He stated that Unisys had presented no new information which would alter the conclusion to award the contract to Hewlett Packard.

This matter was voted on and approved by the Commissioners at the public meeting.

6. Micro Processor Installation.

This item was a part of Items 6A and 6B on the public agenda.

Commissioner Miele reported that he was successful in resolving the dispute with ATS regarding the Authority's retainage of certain monies under the contract.

This matter was voted on and approved by the Commissioners at the public meeting.

7. Medical Services Agreement.

This matter was Item 11 on the public agenda.

Zilocchi reported that Rutgers University did not originally submit a proposal. Subsequently Rutgers came in with a proposal of \$61,800. However the Authority has not been satisfied with the work performed by Rutgers. Zilocchi recommended the appointment of Dr. Mellendic.

This matter was voted on and approved by the Commissioners at the public meeting.

ADG:tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

October 22, 1987

Present: Chairman Judith H. Stanley
Secretary Richard S. Sambol
Treasurer Julian K. Robinson
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq.

1. Mobil.

This matter was Item 11 on the public agenda. Operations Manager Tom McGowan was also present during the discussion of this matter. Grossman briefly reported on the main elements of the agreement which were as follows:

- A. The basic rent is 10¢ a gallon.
- B. There is a minimum annual rent of \$2.5 million.
- C. There will be a payment by Mobil of \$10 million payable \$2.5 million upon signing, \$2.5 million by December 31, 1987, and \$1 million annually in the sixth through the tenth years of the agreement.
- D. The term of the agreement is ten years and two months.
- E. Mobil is responsible for all matters relating to the service stations except for certain designated areas of contamination which is currently being dealt with under a plan of remediation submitted to the NJDEP. Once these areas are resolved, then Mobil will take over responsibility for these areas as well. The Authority will be reserving all rights against all parties with respect to the clean up costs.
- F. There is a rent reopener provision which would allow the parties to terminate the agreement after five years upon the payment of certain monies to Mobil.

This matter was voted on and approved by the Commissioners at the public meeting.

2. State Police.

This matter was Item 13 on the public agenda. Operations Manager Tom McGowan was also present during the discussion of this matter. Zilocchi briefly reported with respect to the additional forty-four troopers that will ultimately be assigned to the Parkway. Commissioner Buckwald expressed concern about the fact that the Authority was paying 100% of all costs and expenses relating to these troopers. Zilocchi indicated that this payment is based upon a contract entered into between the Authority and the State quite some time ago. It was agreed that all efforts should be made by the Authority to review and hopefully revise the contract, particularly those provisions dealing with insurance.

This matter was voted on and approved by the Commissioners at the public meeting.

3. Legal.

A. Toll Machine.

Grossman and Commissioner Miele reported with respect to this matter. Briefly, there were two bidders -- ATS and TDC. Each submitted a bid based upon the Authority's purchase or lease. On its face the bid of TDC was the lowest bid. However ATS submitted an alternate lease bid which called for up front payments by the Authority. That alternate lease bid would be the lowest bid if it were in accordance with the bid specifications. Grossman indicated that it was his opinion that the alternate bid was not in accordance with the specifications and therefore should not be deemed an appropriate bid. In addition Grossman and Miele indicated that the staff was still reviewing the bids in terms of technical compliance and there appeared to be problems with the compliance of both parties with respect to the technical portions of the specifications. The bids were just received and the staff was continuing to review the specifications. It was agreed that no action should be taken at this time pending further review of the bids and that the matter should be dealt with at the next monthly meeting.

This matter involved a contract matter and potential litigation and was therefore not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-1(b)(7).

B. Marriott.

Grossman briefly reported with respect to the fire at the Monmouth Service Area. He stated that the Authority had insurance with respect to the roof and the structure and that Marriott had insurance with respect to the interior. The parties were negotiating with the insurance company which happens to be

the same carrier for both. It is anticipated that the matter will be resolved readily and that the restaurant will be rebuilt promptly.

This matter was reported out by Fox at the public meeting.

4. N.J. Transit.

This matter was Item 12 on the public agenda. Zilocchi briefly reviewed the key provisions of the proposed agreement.

This matter was voted on and approved by the Commissioners at the public meeting.

5. Finances.

Chester Johnson, Jerry Nielson and Dick Ales were present during the course of the discussion of this matter.

Jerry briefly reviewed the proposed rate adjustments. Essentially each 25¢ toll will go to 50¢ with a 35¢ token. Each 10¢, 15¢ and 20¢ ramp toll will go to 25¢. There was also a discussion with respect to bus rates. It was agreed that the current bus rate should be increased from \$1.00 to \$2.00 with the commuter rate being 50% or \$1.00. There was also a discussion with respect to the distribution of tokens. It was suggested that tokens be sold at places other than the lanes. Service areas and restaurants will be considered.

Chester Johnson reported with respect to financial projections. His projections demonstrated the need for the toll increase.

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 as provided in the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(6). Pursuant to that exemption, this item was not reported out at the public meeting.

6. Arts Center Rental.

Zilocchi reported that the Boys and Girls Club of Newark desired to rent the Arts Center facility pursuant to the usual rental conditions and reimbursement of costs. The Commissioners approved. This matter was reported out by Fox at the public meeting.

7. Glen Side Rest Area.

Zilocchi reported as to the need and desire to eliminate this rest area which is in the former State owned section. The recommendation was accepted. This matter was not reported out at the public meeting pursuant to the exemptions for the protection of the safety and property of the public where disclosure could impair such protection as set forth in the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(6).

8. Personnel.

Personnel Director Paul Linder was present during the discussion of these matters.

Linder first discussed the absentee policy which was Item 14 on the main agenda. This matter was voted on and approved by the Commissioners at the public meeting.

Zilocchi then briefly reported with respect to Item 14 B on the public agenda -- raises for certain management personnel.

Commissioner Robinson registered his objection to this item. His objection was not based upon the particular employees involved. However, Commissioner Robinson indicated that he felt that the Authority had not moved satisfactorily in the area of affirmative action with respect to management and supervisory personnel. He detailed his position. The Chairman, Commissioner Sambol and other Commissioners expressed their views as well. As a result of the discussion, it was agreed that the Authority would seek to employ a compliance officer who would report directly to the Executive Director.

This matter was voted on by the Commissioners at the public meeting. At that time, Commissioner Robinson repeated the substance of his remarks although he did approve of the particular increases. The matter was approved by the Commissioners at the public meeting.

9. Consultants.

Zilocchi stated that each Commissioner had been given a list of consultants for consideration.

This matter involved contract matters and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

ADG:tms

MINUTES OF THE EXEMPT MEETING OF THE
NEW JERSEY HIGHWAY AUTHORITY

November 19, 1987

Present: Chairman Judith H. Stanley
Secretary Richard S. Sambol
Treasurer Julian K. Robinson
Commissioner John J. Padavano, Jr.
Commissioner Joseph P. Miele
Commissioner H. George Buckwald
Executive Director George P. Zilocchi
General Counsel Fox and Fox represented by
Martin S. Fox and Arthur D. Grossman
Jean Steifle, Esq. (Excluding Items 1-4)

1. Tokens.

George Zilocchi reported briefly with respect to the design of a proposed new discount token. The Authority originally considered using a bimetallic brass token with a stainless steel insert. The Transit Authority of New York raised a concern that such a token was visually similar to the token used in New York for buses. The Authority then changed its design to a bimetallic German silver token with a brass insert. The MTA then objected to the dimensions of the new token. The Authority told the MTA that the Authority has been using the same sized token since 1981. It is now the Authority's understanding that the matter was not being pursued further by the MTA.

This matter was reported out at the public meeting by Fox.

2. Legal -- Toll Machine Bid.

Commissioner Miele and Grossman reported with respect to this matter. Commissioner Miele gave the background of the matter. He said that the staff was of the opinion that both bids should be rejected since the Authority could effect a substantial savings if a new RFQ were prepared which would expressly include provision for advance payments by the Authority on a lease. Grossman repeated his earlier opinion that the alternate bid submitted by ATS, which included a provision for advance payments by the Authority, was not in accordance with the existing RFQ. Commissioner Miele said that the staff believed that it could obtain a better product if given an opportunity to redraft the RFQ had questions with respect to performance.

This matter was added to the public agenda as Item 5H. The matter was voted on and approved by the Commissioners at the public meeting.

3. Isuzu Motors Sponsorship of Arts Center.

Zilocchi reported that under its existing contract with Isuzu, the Authority's option to terminate the contract expires on December 31, 1987. The matter was discussed. The matter will be placed on the public agenda for the December 17, 1987 meeting for consideration. Since the matter involved contract negotiations, it was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

4. Insurance.

This matter is Item 7 on the public agenda. Commissioner Padavano said that he felt that the Authority's representatives had negotiated the best contracts possible in light of the state of the insurance market.

This matter was voted on and approved by the Commissioners at the public meeting.

5. Amendment of Toll Regulations.

This matter was listed as possible Item 10 on the public agenda. A detailed staff memo had been delivered to each Commissioner prior to the meeting. Jean Steifle of the Independent Authorities Unit entered the meeting at this point and presented the prior approval letter of the Governor and State Treasurer and the waiver of veto letter with respect to the proposed amendment to the toll regulations.

Fox reviewed the prior approval letter with the Commissioners and reported on the procedural requirements to begin the process to ultimately adopt the proposed toll increase. Those requirements include the holding of public hearings and the filing of the proposed toll amendments with the Office of Administrative Law pursuant to the Administrative Procedure Act. Pursuant to the prior approval letter, the Authority will be required to review all information received at the hearings and make adjustments to the toll schedule, if justified. No new schedule of tolls may be adopted without the prior written consent of the Governor and State Treasurer.

This matter was moved to the public agenda as Item 10 and was voted on and approved by the Commissioners at the public meeting.

6. Personnel.

This matter is Item 11 on the public agenda. Zilocchi reported with respect to the personnel item of creating a position of Manager of Affirmative Action.

This matter was voted on and approved by the Commissioners at the public meeting.

7. Bus Identification Numbers.

Zillocchi reported that Commissioner Robinson had requested that the issue of requiring buses to have identification numbers painted on their roofs be raised. Zillocchi said that it was difficult to enforce as to out of state buses. This matter was referred to the staff with direction to look into improved surveillance procedures to reduce the problem of speeding buses.

This matter was reported out by Fox at the public meeting.

8. Direct Payroll Bank Deposit Service.

Zillocchi reported that Commissioner Robinson had raised the question of whether the Authority could provide a direct payroll bank deposit service for Authority employees. The matter was referred to the staff for review and recommendation.

This matter was reported out by Fox at the public meeting.

9. Arts Center Rental for New Jersey Association of Student Councils.

Zillocchi reported that a request had been made by the New Jersey Association of Student Councils to rent the Arts Center on May 10, 11 and 12, 1988. The request was approved in accordance with existing procedures.

This matter was reported out by Fox and the public meeting.

10. Precast Concrete Materials for Branch Toll Lanes.

This matter was possible Item 5G on the public agenda.

Zillocchi briefly reported that the sole bidder, Jersey Precast Corp., had inadvertently failed to include a required bid deposit but that it had since corrected the deficiency. This is the second time the matter has been bid. Time is of the essence to complete the branch lane installation. The proposal was within 4% of the consulting engineer's estimate. It was recommended that the Authority waive the irregularity.

This matter was voted on and approved by the Commissioners at the public meeting.

11. Consultants.

Commissioner Sambol requested that the Authority consider engaging only one general engineering consultant who would be prohibited from otherwise submitting proposals on specific projects. The matter will be further considered at the time the Authority enters into its contracts with consultants.

This matter involved contract matters and therefore was not reported out at the public meeting pursuant to the Open Public Meetings Act, N.J.S.A. 10:4-12(b)(7).

12. Alliance for Action.

Commissioner Sambol requested that the Authority subsidize a reception at a cost of about \$1,500 to be held by the Alliance for Action in December. The matter will be placed on the public agenda for the December 17, 1987 meeting.

This matter was reported out by Fox at the public meeting.

13. Bicentennial Commission.

Commissioner Miele requested the cooperation of the Authority and its Commissioners to participate in the December 18, 1987 bicentennial ceremony. The matter was reported out by Fox at the public meeting.

14. Fiber Optics.

Grossman reported that earlier in the year, the Authority entered into an agreement with AT&T Communications for the installation of fiber optic cable on Authority right of way. Pursuant to the terms of that agreement, AT&T Communications is required to obtain all permits and the Authority is required to cooperate in obtaining such permits. AT&T Communications advised that it was having some difficulty securing permits from the Pinelands Commission. It requested that the Authority enter into an agreement with the Pinelands Commission to assist in the securing of any required permits. This action may be taken by the Authority pursuant to the cooperation clause in the agreement. The agreement was authorized.

This matter was reported out by Fox at the public meeting.

ADG:tms



Garden State Parkway

Memorandum

DATE: November 16, 1987

TO: Mr. George P. Zilocchi, Executive Director

FROM: Thomas J. Critchley, Chairman, Regulations Committee

SUBJECT: Recommendation to Amend Authority Regulations
Governing the Use of the Garden State Parkway -
Tolls - 19:8-1, et seq.

The New Jersey Highway Authority has determined that an increase in Authority revenues is required for the year 1988 and thereafter to provide sufficient funds to meet the provisions of the Authority's toll covenant as set forth in Section 711 of the Parkway Revenue Bond Resolution and to provide funding and financing for the Authority's Capital Improvement Program. See memo dated 11/4/87 from Government Finance Associates, Inc., "Anticipated Capital Financing Program, 1988 to 1992", memo dated 11/5/87 from Frank M. Palombo, Director of Finance, to Julian K. Robinson, Treasurer, "Recommendation to Increase Garden State Parkway Toll Rates", and memo from James W. Conlon, Chief Engineer, to George P. Zilocchi, Executive Director, dated November 6, 1987, "CONTINUING THE 1986 FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM".

To meet this need for additional revenues a proposed schedule of tolls (Schedule A) has been developed by Authority staff members and its consultants, Vollmer Associates and Government Finance Associates, which schedule generally provides as follows:

1. The basic toll rates for cars at toll barriers will increase from \$.25 to \$.50.
2. Car tolls at ramps for the most part will increase from \$.10 and \$.15 to \$.25 and from \$.25 to \$.50.
3. A \$.35 car discount token will be available for use by cars at all \$.50 exact change toll lanes.

4. Barrier tolls for heavy trucks, where allowed, will generally increase to a per axle charge of \$.50.
5. Tolls for buses will increase from \$1.00 to \$3.00 with provisions to permit regularly scheduled commuter buses to use discount bus tokens at a cost of \$1.00. For toll purposes, school buses would be treated as and charged the rate for cars. Buses other than regularly scheduled commuter and school buses will be able to use discount bus tokens at a price of \$2.00 each.

The proposal also provides that tolls be established at two additional barrier plazas in Atlantic County and Cape May County (near Wildwood) and at three new ramp plazas at Interchange 120, Interchange 116 and Interchange 74, it being anticipated that these new toll plazas will be operational in 1991 (except for Interchange 74 which is expected to be operational in 1989). See study from Vollmer Associates dated November 3, 1987, "Proposed New Toll Plaza Locations".

The proposal also provides for the adoption of subsidiary amendments to the Authority's Regulations as follows:

N.J.A.C. 19:8-1.1 - Definitions

Addition

"Bus token" means the Authority's authorized discount token for use by buses.

"Car token" means the Authority's authorized car discount token for use by cars only at exact change \$.50 toll lanes.

"Heavy truck" means a truck with 2 axles and 4 tires weighing more than 6,999 pounds, a truck with 2 axles and 6 or more tires, or a truck with 3 or more axles.

Modify the definition of "Car" by adding categories of 2 axle, 4-tire campers and school buses.

The word "registered" in the phrase, "registered gross weight" would be deleted and there would be added to the phrase, "gross weight not exceeding 6,999 pounds", the phrase, "and having no more than 2 axles and 4 tires".

It is anticipated that the proposed toll increase will become effective on or about April 2, 1988.

In accordance with Section 711(b) of the Parkway Revenue Bond Resolution, the Authority has received a certification from its Traffic Consultants, Vollmer Associates, that the proposed toll revision will produce sufficient revenues to at least equal the Net Revenue Requirements for the period 1988 through 1992. See letter dated November 5, 1987 from Mr. Gerald V. Nielsten of Vollmer Associates.

The proposed toll increases with the establishment of the additional toll locations require an amendment to the Authority's Regulations as published in the New Jersey Administrative Code at N.J.A.C. 19:8-1.1, et seq.

It is recommended that the Executive Director and the General Attorney be authorized to take all necessary action and to execute, file and publish all documents with respect to the proposed amendments pursuant to the requirements of the Office of Administrative Law as set forth in N.J.S.A. 52:14B and N.J.A.C. 1:30, et seq.

Pursuant to the provisions of N.J.S.A. 27:12B-14.1 and 14.2, a public hearing is required with respect to the proposed toll increase.

It is recommended that the Executive Director be authorized to effect all required notices and arrange for said public hearings, to be held December 8 and 9, 1987.

Pursuant to the provisions of the Authority's Enabling Act, N.J.S.A. 27:12B-4, prior approval in writing of the Governor and the State Treasurer has been obtained in order to commence the aforesaid hearings, and the aforesaid administrative procedure process (pursuant to N.J.S.A. 52:14B-4 and N.J.A.C. 1:30, et seq.) and which approval is further subject to the requirement that after the aforesaid hearings, the Members of the Authority shall review the information received at such hearings, shall revise the proposed schedule of tolls, if justified, and shall thereafter adopt a resolution, subject to the prior written approval of the Governor and State Treasurer, adopting a schedule of tolls.

It is therefore recommended that the Commissioners of the New Jersey Highway Authority adopt a Resolution generally consistent with the following language and intent:

1. The Authority hereby determines that an increase in Authority revenues is required in 1988 and thereafter to provide sufficient funds to meet the provisions of the Authority's toll covenant set forth in Section 711 of the Parkway Revenue Bond Resolution and to provide funding and financing for the Authority's Capital Improvement Program.
2. The Authority does hereby approve the proposed rules amending the New Jersey Highway Authority Regulations governing use of the Garden State Parkway as set forth in the preamble of this Resolution and in Schedule A attached.
3. The Executive Director and the General Attorney are hereby authorized to take all necessary action and to execute, file and publish all necessary documents with respect to the proposed amendments pursuant to the requirements of the Office of Administrative Law as set forth in N.J.S.A. 52:14-B and N.J.S.A. 1:30, et seq.
4. The Executive Director is hereby authorized to effect all required notices and arrange for a public hearing to be held pursuant to the provisions of N.J.S.A. 27:12B-14.1 and 14.2, and to designate a hearing officer for said public hearings to be held on December 8 and 9, 1987.
5. Subsequent to the aforesaid hearings, the Members of the Authority shall review and consider the information received at such hearings and shall thereafter adopt a schedule of tolls and amendments at a meeting subject to the requirement that after the aforesaid hearings, the Members of the Authority shall review the information received at such hearings, shall revise the proposed schedule of tolls, if justified; and shall thereafter adopt a resolution, subject to the prior written approval of the Governor and State Treasurer, adopting a schedule of tolls.

6. The General Attorney is directed to file a copy of this Resolution with the Secretary of State, said copy to be certified by the Secretary or Assistant Secretary of the Authority, and the General Attorney is further ordered to file a Certificate of Adoption of the aforesaid Resolution with the Office of the Division of Administrative Procedure in the Department of State.
7. The Secretary or Assistant Secretary is hereby directed to file a certified copy of the Schedule of Tolls, as amended, with the Trustee under the applicable Authority Bond Resolutions, in accordance with the requirements thereof.
8. The Executive Director is hereby authorized to take all steps necessary or convenient for the marketing, sale or merchandising of the car and bus tokens to implement their use upon the effective date of the proposed amendment, including the sale prior thereto of car tokens at the current rate of \$.25.


Thomas J. Critchley

TJC/fm
Attachments

APPROVED FOR CONSIDERATION:

George P. Zilocchi
Executive Director

Schedule A

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Toll (Area And Type) Location	Barrier or Ramp	Car (2 Axles)		Car with (Semi-Trailer (3 Axles) 1-axle Trailer; 2-axle, 6-Tire Camper; or 3-axle Camper		Car with (Full Trailer (4 Axles) 2-axle Trailer or 4-axle Camper		Car with 3-axle Trailer		Omnibus**	Heavy Truck***												
		[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25		[1.00]	3.00	[** Trucks 3 1/2-5 Ton 2 Axles, 4 Wheels] 2-axle, 4-tire Truck, 3 1/2 tons or more	[** Trucks Over 5 Ton 2 Axles, 6 Wheels] 2-axle, 6-tire Truck	[** Truck or Tractor & Semi-Trailer 3 Axles 3-axle Truck	[** Truck or Tractor & Full Trailer 4 or More Axles] 4-axle Truck	5-axle Truck	6-axle Truck					
Hillsdale	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Paranus	R	[.10]	.25	[.15]	.40	[.20]	.50	[.20]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Bergen	U	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Saddle Brook	R	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Clifton	R	[.10]	.25	[.15]	.40	[.20]	.50	[.20]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Passaic	R	[.10]	.25	[.15]	.40	[.20]	.50	[.20]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Watchung	R	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Essex	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Bloomfield	R	[.10]	.25	[.15]	.40	[.20]	.50	[.20]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
East Orange	R	[.10]	.25	[.15]	.40	[.20]	.50	[.20]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Irvington	R	[.10]	.25	[.15]	.40	[.20]	.50	[.20]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Union	R	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Union	U	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Harrigan N/S	U	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Cheesapeake	R	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Mainwain	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Keyport-Hazlet	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Arts Center	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Holmdel	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Red Bank	R	[.20]	.25	[.30]	.40	[.40]	.50	[.40]	.65	[1.00]	3.00	-	-	-	-	-	-	-	-				
Lanontown	R	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	-	-	-	-	-	-	-	-				
Asbury Park	U	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
Belmar-Wall	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	[.20]	.25	[.30]	.50	[.45]	.75	[.60]	1.00	[.60]	1.25	[.60]	1.50
Lakewood-Drick	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	[.20]	.25	[.30]	.50	[.45]	.75	[.60]	1.00	[.60]	1.25	[.60]	1.50
Lakewood	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	[.20]	.25	[.30]	.50	[.45]	.75	[.60]	1.00	[.60]	1.25	[.60]	1.50
Lakehurst	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	[.20]	.25	[.30]	.50	[.45]	.75	[.60]	1.00	[.60]	1.25	[.60]	1.50
Toms River	U	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
Lacey Road	R	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
Harnegat	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
New Gretna	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
Atlantic County	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
Somers Point	R	[.15]	.25	[.20]	.40	[.30]	.50	[.30]	.65	[1.00]	3.00	[.20]	.25	[.30]	.50	[.45]	.75	[.60]	1.00	[.60]	1.25	[.60]	1.50
Great Egg	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
Cape May	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.35]	.50	[.50]	1.00	[.75]	1.50	[1.00]	2.00	[1.00]	2.50	[1.00]	3.00
Wildwood****	R	[.10]	.25	[.15]	.40	[.20]	.50	[.20]	.65	[1.00]	3.00	[.15]	.25	[.20]	.50	[.30]	.75	[.40]	1.00	[.40]	1.25	[.40]	1.50
Wildwood	B	[.25]	.50*	[.35]	.75	[.50]	1.00	[.50]	1.25	[1.00]	3.00	[.25]	.50	[.25]	.50	[.35]	.75	[.45]	1.00	[.45]	1.00	[.45]	1.00

**HEAVY TRUCKS PROHIBITED
NORTH OF INTERCHANGE 105**

- * 35-cent car tokens available for use by cars in exact change lanes.
- ** \$1.00 bus token available for use by regularly scheduled buses; \$2.00 bus token available for use by all other buses.
- *** Heavy trucks (3 1/2 tons or more, 6 tires, or 3-or-more-axes) prohibited north of Interchange 105.
- **** Tolls to be removed from Wildwood Ramp after Wildwood Barrier is opened.

• Vehicles traveling through length of Parkway pay only at Across Parkway Toll Areas. Total fare for Passenger Vehicles for full 173 mile trip is \$2.75. Toll Area on ramps affect only vehicles either entering or leaving Parkway at those specified interchanges. There are (11) Across Parkway (U) Toll Areas and (19) Ramp (R) Toll Areas.

Vollmer Associates

11 West 19th Street New York NY 10011
212 691 3800 Telex 12 7357

November 5, 1987

Mr. George P. Zilocchi
Executive Director
New Jersey Highway Authority
Garden State Parkway
Woodbridge, NJ 07095

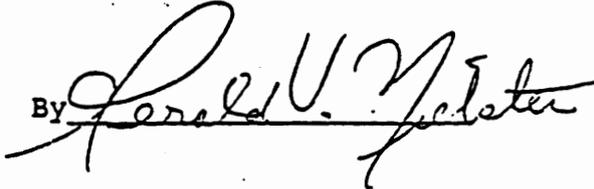
Dear Sir:

In accordance with your request, we have reviewed the revised toll schedule (Enclosure A) to be implemented by the Authority and have estimated the resulting revenues and projected operating results.

Based on our review and projections, acting as the Traffic Consultants as defined in Section 711(b) of the Parkway Revenue Bond Resolution, we hereby certify that in our opinion the proposed toll revisions set forth in Enclosure A will produce sufficient Net Revenues to at least equal the Net Revenue Requirements for the period of the forecast, 1988 through 1992.

Very truly yours,

VOLLMER ASSOCIATES

By 



Garden State Parkway

Memorandum

DATE: November 6, 1987

TO: George P. Zilocchi, Executive Director

FROM: James W. Conlon, Chief Engineer

SUBJECT: CONTINUING THE 1986 FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

In March 1986, The Commissioners adopted the latest revised Five-Year Capital Improvement Program. This Program is a master plan for desired projects. As each project is advanced, specific approvals are requested from the Commissioners for such necessary components as traffic and feasibility studies, engineering design and award of construction contracts. The CIP adopted at the March 1986 Meeting was estimated to cost \$571,070,000.

By the end of the third quarter of 1987, 18 months after the adoption of the most recent CIP, we had expended approximately \$190 million from the Parkway Construction Fund, and we had open commitments--that is, money encumbered but not yet spent on contracts awarded by the Commissioners of approximately \$101 million.

Attached is a list of the projects remaining in the Capital Improvement Program of March 1986.

Obviously, all of the work envisioned by the Commissioners in the program cannot be built for the originally estimated cost for a number of reasons. Construction costs have escalated since the program was adopted. Furthermore, particularly in the work which is yet to begin, the magnitude of the construction will greatly exceed the amount of work originally envisioned. In some cases developments have taken place adjoining the Parkway that will prevent the construction of the simple ramps originally contemplated and much more complicated interchanges will be required. In some cases, the land which must be purchased has increased in value at a much faster rate than the normal rate of appreciation. In some cases structures will have been built on land that was formerly vacant and we will now be required to purchase improved property at substantially higher cost. In addition, construction funds were expended for emergent and unexpected projects.

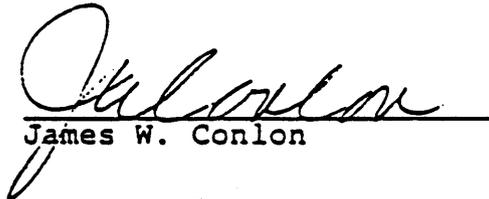
For these reasons, the estimated costs to fund the remaining

projects is \$563 million. I have included in the attached estimate of costs to complete the Capital Improvement Program only those funds which I believe can be expended through the end of 1992. All of the safety and rehabilitation projects listed should be completed by the end of 1992. In the widening projects, however, the three projects listed as "design only", show only the amount estimated to be spent through 1992. If these three widening projects are carried to completion, the total for widening projects alone would be \$523 million (instead of \$331 million).

All of these projects are essential to the continued effective and safe operation of the Parkway in order to accommodate increased traffic growth and to reduce traffic congestion. Many of the projects are reflective of the requests of adjoining counties and local communities.

I have also shown as a separate list, the work proposed to be done in sections in Cape May, Ocean and Union/Middlesex Counties. None of this work was included in the March 1986 Capital Improvement Program. The work which I think can be completed by the end of 1992 totals \$81 million.

JWC/lrk



James W. Conlon

Attachment

Estimated Cost
(\$1,000,000)

SAFETY, REHABILITATION, EXTRAORDINARY MAINTENANCE:

. Drainage/Resurfacing: MP 0 to 17	13
. Pavement Resurfacing, Continuing Program	47
. Roadway Settlement Repairs: Cheesequake & Matawan	14
. Rehab. Great Egg Harbor Bridges	2
. Bridge Rehab.: Continuing Program	56
. Lane Control System, Traffic Signals/Signs, Union/Essex	12
. Toll Booth Rehab., Interior & Exterior	24
. Clean-up Contaminated Soil at Service Areas	4
. Bridge Deck Ice Sensor	4
	<hr/>
Total	176

NECESSARY EXPANSION PROJECTS:

. Mainline, Interchanges 88 to 91	42
. Mainline, Interchanges 83 to 88, Design Only	3
. Mainline, Inner Roadway, 117-126, Design Only	1
. Expansion of Interchange 74	16
. Service Roads With Expanded Interchanges, Interchanges 88 to 91, Design Only	19
. Interchange 105- Rt. 36/Hope Rd. Intersection (Immediate)	8
. Interchange 114	13
. Interchange 116	7
. Interchange 120	49
. Interchange 127 - State Rt. 440/I-287	9
. Complete Int. 142/I-78	41
. Expand Toms River Toll Plaza	10
. Expand Barnegat & New Gretna Toll Plazas	5
. Atlantic County Improvements & Barrier	56
. Cape May County Improvements & Barrier	24
. Expand Essex Toll Plaza	17
. Expand Bergen Toll Plaza	11
	<hr/>
Total	331

Estimated Cost
(\$1,000,000)

SERVICE IMPROVEMENTS NOT AFFECTING CAPACITY:

. Atlantic City Service Area Expansion	14
. Vaux Hall Service Area Improvements	8
. Rehab./Expansion of 5 Maintenance Yards	22
. Central Warehouse & Print Shop Expansion	3
. Commuter Parking Lot Expansion	5

Total	52
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IMPROVEMENT OF APPEARANCE:

. Landscaping Service Areas, Toll Plazas & Interchanges	4
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Total	4
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Grand Total	563
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Estimated Cost
(\$1,000,000)

CAPITAL IMPROVEMENT PROJECTS IN CAPE MAY, TOMS RIVER,
AND UNION/MIDDLESEX SECTIONS:

. At-Grade Intersection Improvements Between Interchanges 8 and 12	1
. Grade Separation Improvements Between Interchanges 8 and 12	14
. Resurfacing Between Interchanges 80 & 83	4
. Short-Term Improvements Between Interchanges 129 & 140	34
. Expansion of Maintenance Yard in Union/Middlesex	9
. Long-Term Improvements, Toms River	19
Total	<u>81</u>

PROPOSED NEW TOLL

PLAZA LOCATIONS

**New Toll Locations Proposed for the
Garden State Parkway**

A review of the toll system on the Garden State Parkway was undertaken to analyze the toll rate structure, to evaluate inconsistencies in the system, and to recommend improvements and modifications to the toll rate system. As a result of this review, the following recommendations were made:

- A new mainline Toll Plaza should be constructed in Cape May County in the vicinity of Milepost 4.
- A new mainline Toll Plaza should be constructed in Atlantic County in the vicinity of Milepost 40.
- A new Ramp Toll Plaza should be constructed collecting tolls to and from the north at Interchange 74.
- A new Ramp Toll Plaza should be constructed at proposed Interchange 116.
- A new Ramp Toll Plaza should be constructed collecting tolls to and from the north at Interchange 120.

- The toll rates collected at the Somers Point Ramp Toll Plaza should be the same as those collected at nearby Great Egg Toll Plaza.-

The rationale and justification for these recommendations are set forth below.

The Toll Rate Structure on the Garden State Parkway

In accordance with the New Jersey Highway Authority Act, the Authority is empowered to "fix and revise from time to time and charge and collect tolls and other charges for transit over and use of any project acquired or constructed by it."

The basic toll structure that has been in force since the opening of the Parkway is a mainline barrier toll plaza and ramp toll plaza system; that is, tolls are collected at 11 across-the-road barrier toll plazas on the mainline Parkway and at various locations on entrances and exits.

Table I presents the toll schedule on the Parkway as of July 1, 1962. The 11 mainline barrier plazas were supplemented by 9 ramp plazas, collecting tolls in the following direction.

	<u>Ramp Plaza</u>	<u>Passenger Car Toll</u>	<u>Direction (To & From)</u>
158	Fairlawn	25¢	South
154	Clifton	10¢	North
153	Passaic	10¢	North
151	Watchung	25¢	North
143	Irvington	10¢	North
109	Red Bank	15¢	North
105	Eatontown	25¢	North
88	Lakehurst	10¢	North
36	Tilton	10¢	South

As can be seen, most of the 9 ramp plazas collected tolls to and from the north, at a rate of either 25¢ (for ramps connecting adjacent to a barrier plaza) or 10¢. The exceptions to these general rules were Fairlawn and Tilton (to and from the south) and Red Bank (15¢).

Table II presents a summary of the current toll charges on the Parkway. As noted, the 11 across-the road toll barriers charge a rate of 25¢ per passenger car, which has not changed since the opening of the Parkway in 1954. However, there are currently 18 ramp toll locations where passenger car rates and directions are as follows:

	<u>Plaza</u>	<u>(Rate)</u> <u>(Passenger Car)</u>	<u>Direction</u> <u>(To & From)</u>
165	Paramus	10¢	South
159	Saddle Brook	25¢	South
154	Clifton	10¢	North
153	Passaic	10¢	North
151	Watchung	25¢	North
148	Bloomfield	10¢	South
145	East Orange	10¢	South
144	Irvington	10¢	South
142	Union Ramp	25¢	North
117	Mate-Key-Haz	15¢	North
114	Holmdel	15¢	North
109	Red Bank	20¢	North
105	Eatontown	25¢	North
98	Belmar-Wall	15¢	North
91	Lakewood-Brick	15¢	North
88	Lakehurst	15¢	North
30	Somers Point	15¢	North
4	Wildwood	10¢	South

As shown, of the 18 ramp toll plazas, the passenger car rates are 10¢ at seven, 15¢ at six, 20¢ at one and 25¢ at four. Also, 12 of the ramp toll plazas are north-oriented and six are south-oriented. The differences in the toll structure from 1962 to 1987 are due primarily to three elements: addition of new ramps, requiring a toll for equity (such as 114 Holmdel), replacement of ramp with another due to a change in the adjacent highway network (159 Saddle Brook for 158 Fairlawn with the opening of I-30) or a special change of the network (the Essex ramps).

Evaluation of the Toll Structure

Unlike a closed toll system, such as the New Jersey Turnpike or the mainline New York State Thruway, a mainline barrier and ramp toll system does not lend itself as readily for analysis of inconsistencies in its structure. Even if every interchange were evenly spaced, with consistent traffic volumes and origin-destination patterns, it would be impossible to develop a system of barrier and ramp tolls such that each trip paid a rate consistent with all other trips on the road in terms of mileage and service. Recognizing that the Parkway was superimposed upon an older system of State, County, and local roads which developed in a seemingly random pattern, the problems of a consistent toll system are greatly multiplied.

The goal of an evaluation of a barrier and ramp toll structure should be:

1. To develop a set of rules which generally apply to the system.
2. To analyze the differences in the actual system versus the set of rules.
3. To review if such differences in the actual system are justified.
4. To identify inconsistencies in the toll rate structure.

Applying this evaluation to the current toll rate charges on the Parkway, it is possible to generate rules to determine the consistency of any section of the Parkway with the system as a whole. In fact, there are only three rules.

Rule #1. Each trip travelling on a portion of the Parkway constructed by the New Jersey Highway Authority should pay at least a portion of the cost of the trip; that is, there should be no toll-free trips on the Parkway. Of the 5000 or so possible trips on the Authority-constructed Parkway, 99.9 percent pay a toll charge. The few toll-free trips are inconsistent with this basic tenet.

Rule #2. Distance between barriers should be consistent on similar sections of the Parkway.

Rule #3. Tolloed ramps that are in close proximity to a barrier and which serve traffic that does not reach the barrier should charge the barrier rate.

Evaluation of the Parkway Toll Structure

The following is a review of the current toll structure on the Parkway on sections of the road, basically from barrier to barrier.

Milepost 0 to Cape May: In the first twenty miles of the Parkway, Rule #1 is violated on the eight miles south of the section previously owned and maintained by the State (Milepost 8 to Milepost 12). Trips from Milepost 0 and Interchange 4 to the State sections are untolled. Of the 70,000 daily miles of travel on the lower eight miles of the Parkway, only 10 percent is tolled at the Wildwood Toll Plaza, Interchange 4.

An analysis of the separation between barriers is presented in Table III. As shown, the average distance between toll barriers on those sections of the Parkway constructed by the Authority is 16 miles south of the Raritan River. Consistent with Rule #2, a new toll barrier near Milepost 4 would be 15 miles from the Cape May Toll Plaza.

For these reasons, a new toll plaza should be constructed near Milepost 4.

Cape May - Great Egg Toll Plazas: This section is consistent with the general toll structure on the Parkway.

Great Egg - New Gretna Toll Plazas: The section between Great Egg Toll Plaza and the New Gretna Toll Plaza is in greatest conflict with the general toll structure on the Parkway. As indicated on Table III, although the average distance between toll plazas is 16 miles south of the Raritan River, this section is 25 miles long, the longest by far on the Parkway. Rule #1 - no toll-free trips - is violated by a number of trips: Interchanges 36-38, 37-38, 36-50, 37-50, 38-50, 40-50, and 44-50. Rule #3 is violated at Somers Point, where traffic exits and enters only one mile from the Great Egg Toll Plaza and yet pays a \$.15 passenger car toll.

For these reasons, it is recommended that a new mainline toll plaza be constructed in the vicinity of Milepost 40 and that the Somers Point Toll Ramp have the same toll rate as the Great Egg Toll Plaza.

New Gretna - Barnegat: In this section, the trip from Interchange 58 to Interchange 63 is toll-free. Consistent with the biased directional system to the north, a ramp toll on Interchange 58 to and from the north would best fit the system. However, current traffic volumes are so low that it is unlikely that a toll ramp at this location would even pay the cost to operate the plaza. For this reason, it is recommended that no change in the toll configuration on this section be made at this time. This location should be reviewed in the future to determine if a toll in the future might be financially feasible.

Barnegat - Toms River: This section has few interchanges on the segment of the Parkway constructed by the Authority.

TABLE III
GARDEN STATE PARKWAY
TOLL SEGMENTS

Milepost Location of Mainline Barriers

<u>Barrier</u>	<u>Milepost</u>
Hillsdale	166.1
Bergen	160.4
Essex	150.7
Union	142.7
Raritan	125.8
Asbury Park	104.0
Toms River	84.7
Barnegat	68.9
New Gretna	53.5
Great Egg	28.8
Cape May	19.4

Mileage Separation - NJHA Constructed

	<u>Base</u>	<u>Adjustment</u>	<u>Total</u>
Bergen - Hillsdale	5.7	+6.3 (Hillsdale to NY)	12.0
Essex - Bergen	9.7	-	9.7
Union - Essex	8.0	-	8.0
Raritan - Union	16.9	-13.9 (NJ State-construction)	3.0
Asbury Park - Raritan	21.8	-	21.8
Toms River - Asbury Park	19.3	-	12.6
Barnegat - Toms River	15.8	-3.2 (NJ State-construction)	12.6
New Gretna - Barnegat	15.4	-	15.4
Great Egg - New Gretna	24.7	-	24.7
Cape May - Great Egg	9.4	-	9.4
0.0 - Cape May	19.4	-5.1 (NJ State-construction)	14.3

Interchange 74 currently allows a toll-free movement to Interchanges 30, 81, 82 and 83. For this reason, it is recommended that a ramp toll be constructed at Interchange 74 collecting tolls to and from the north.

Toms River - Asbury Park This section is consistent with the general toll structure on the Parkway.

Asbury Park - Raritan: This section is generally consistent with the toll structure on the Parkway. Interchange 120, which is six mile south of the Raritan Toll Plaza, could add a ramp toll plaza consistent with its proximity to the Interchange 117. The opening of Interchange 116 to local access would require toll ramps also to be consistent with those charged at Interchange 117.

Raritan - Union: Most of this section was constructed by the State.

Union - Essex: This section is consistent with the general toll structure on the Parkway.

Essex - Bergen: This section is consistent with the general toll structure on the Parkway.

New Jersey State Library

Bergen - Hillsdale: Although the Interchange 165 Toll Plaza is located within two miles of the Hillsdale Toll Plaza, the Hillsdale Toll plaza should have been placed near Milepost 170, and was not so as to allow Interchange 168 to have access to and from the south without the requirement of a separate ramp toll plaza. On this basis, the ramp toll at Interchange 165 - Paramus - is consistent with the toll system.

TABLE I
1962 TOLL SCHEDULE

<u>Toll Area</u>	<u>Type of Toll Area</u>	<u>Passenger Vehicle (2 axles)</u>	<u>Pas. Veh. w/Semi-Trailer (3 axles)</u>	<u>Pas. Veh. w/Full Trailer (4 axles)</u>	<u>Ominibus</u>	<u>Light Truck</u>	<u>Truck 2-5 Ton</u>	<u>Truck over 5-Ton</u>	<u>Truck or Tractor & Semi-Trailer</u>	<u>Truck or Tractor & Full Trailer</u>
Hillsdale	Across Parkway	\$.25	\$.35	\$.50	\$.75	-	-	-	-	-
Bergen	Across Parkway	.25	.35	.50	.75	-	-	-	-	-
Fair Lawn	Ramp Int. 158	.25	.35	.50	.75	-	-	-	-	-
Clifton	Ramp Int. 154	.10	.15	.20	.25	-	-	.1	-	-
Passaic	Ramp Int. 153	.10	.15	.20	.25	-	-	-	-	-
Watchung	Ramp Int. 151	.25	.35	.50	1.00	-	-	-	-	-
Essex	Across Parkway	.25	.35	.50	1.00	-	-	-	-	-
Irvington	Ramp Int. 143	.10	.15	.20	.25	-	-	-	-	-
Union	Across Parkway	.25	.35	.50	1.00	-	-	-	-	-
Raritan	Across Parkway	.25	.35	.50	.75	-	-	-	-	-
Red Bank	Ramp Int. 109	.15	.20	.30	.40	-	-	-	-	-
Eatontown	Ramp Int. 105	.25	.35	.50	.50	-	-	-	-	-
Asbury Park	Across Parkway	.25	.35	.50	.75	-	-	-	-	-
Lakehurst	Ramp Int. 88	.10	.15	.20	.25	\$.10	\$.15	\$.20	\$.30	\$.40
Toms River	Across Parkway	.25	.35	.50	.50	.25	.35	.50	.75	1.00
Barneget	Across Parkway	.25	.35	.50	.50	.25	.35	.50	.75	1.00
New Gretna	Across Parkway	.25	.35	.50	.50	.25	.35	.50	.75	1.00
Tilton	Ramp Int. 36	.10	.15	.20	.25	.10	.15	.20	.30	.40
Great Egg	Across Parkway	.25	.35	.50	.50	.25	.35	.50	.75	1.00
Cape May	Across Parkway	.25	.35	.50	.50	.25	.35	.50	.75	1.00

The toll rates charged as of July 1, 1962

TABLE II

SUMMARY OF CURRENT TOLLS

<u>Toll Area (Type*)</u>	<u>Car 2 Axles</u>	<u>Car with Semi- Trailer 3 Axles</u>	<u>Car with full Trailer 4 Axles</u>	<u>Omnibus</u>	<u>Truck 3.5-5 ton 2 Axles 4 Wheels</u>	<u>Truck over 5 ton 2 Axles 6 Wheels</u>	<u>Truck or Tractor & Semi-Trailer 3 Axles</u>	<u>Trucks or Tractor and Full Trailer 4 or more Axles</u>
Hillsdale (B)	\$.25	^ .35	\$.50	\$ 1.00				
Paramus (R)	.10	.15	.20	1.00				
Bergen (B)	.25	.35	.50	1.00				
Saddle Brook (R)	.25	.35	.50	1.00				
Clifton (R)	.10	.15	.20	1.00				
Passaic (R)	.10	.15	.20	1.00				
Watchung (R)	.25	.35	.50	1.00				
Essex (B)	.25	.35	.50	1.00				
Bloomfield (R)	.10	.15	.20	1.00				
East Orange (R)	.10	.15	.20	1.00				
Irvington (R)	.10	.15	.20	1.00				
Union (R)	.25	.35	.50	1.00				
Union (B)	.25	.35	.50	1.00				
Raritan (B)	.25	.35	.50	1.00				
Matawan (R)	.15	.20	.30	1.00				
Keyport-Hazlet (R)	.15	.20	.30	1.00				
Holmdel (R)	.15	.20	.30	1.00				
Red Bank (R)	.20	.30	.40	1.00				
Eatontown (R)	.25	.35	.50	1.00				
Asbury Park (B)	.25	.35	.50	1.00	\$.35	\$.50	\$.75	\$1.00
Belmar-Wall (R)	.15	.20	.30	1.00	.20	.30	.45	.60
Lakewood-Brick (R)	.15	.20	.30	1.00	.20	.30	.45	.60
Lakehurst (R)	.15	.20	.30	1.00	.20	.30	.45	.60
Toms River (B)	.25	.35	.50	1.00	.35	.50	.75	1.00
Barnegat (B)	.25	.35	.50	1.00	.35	.50	.75	1.00
New Gretna (B)	.25	.35	.50	1.00	.35	.50	.75	1.00
Somers Point (R)	.15	.20	.30	1.00	.20	.30	.45	.60
Great Egg (B)	.25	.35	.50	1.00	.35	.50	.75	1.00
Cape May (B)	.25	.35	.50	1.00	.35	.50	.75	1.00
Wildwood (R)	.10	.15	.20	1.00	.15	.20	.30	.40

TRUCKS ARE PROHIBITED NORTH OF INTERCHANGE 105

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X

* B = barrier toll plaza; R = ramp toll location

Government Finance Associates, Inc.

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MEMORANDUM TO: The New Jersey Highway Authority

FROM: Government Finance Associates, Inc.

SUBJECT: Anticipated Capital Financing Program
1988 to 1992

DATE: November 4, 1987

Vollmer Associates, in conjunction with the staff of the New Jersey Highway Authority, has prepared projections of revenues and expenses for the period of 1988-1992, assuming a toll increase in April 1988. On the basis of these projections, Government Finance Associates, Inc., has prepared an analysis of the amount of bonds which the Authority could issue over the next five years, in order to determine the amount of money that would be available for it to add to the Parkway Construction Fund. In addition, GFA has prepared the analysis that sets forth the amounts the Authority can expect to spend in debt service over the next five years.

We have assumed a bond issue in June 1988, in the amount of \$232.9 million, and a second bond issue in June 1991, in the amount of \$121.5 million. Both issues are structured assuming current market rates. The 1988 bond issue has annual debt service of approximately \$23 million, and the 1991 bond issue has annual debt service of approximately \$12 million.

In order to determine the maximum amount of bonds which the Authority could issue, GFA has assumed that the Authority must allow for an amount of money to be available after the payment of operating expenses, debt service, state payments and the maintenance reserve requirement. We have discussed the desired level of coverage with both Moody's Investors Service and Standard & Poor's. Moody's indicated that a level of 4% of operating revenues as surplus revenues would probably be adequate. Standard & Poor's stated that

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Government Finance Associates, Inc.

the Authority should have, on an actual basis, debt service coverage of 1.5x, versus the required bond contract coverage of 1.2x, if it were to maintain its AA- rating. Our debt presentation takes these factors into consideration, recognizing that in the latter years, there may be difficulty in meeting the thresholds.

In addition to the amount which would be generated by a bond issue, the Authority would also be able to transfer the annual operating revenues, which have not been utilized for debt service, into the Parkway Construction Fund (a technique employed by the Authority previously), for a total of \$90.7 million over the period of 1988-1992.

The projections will have to be refined further as we get closer to the time of the bond sale in order to reflect market conditions more accurately. Currently, it appears that the Authority will have approximately \$410 million available over the next five years, (after paying off its short-term borrowing), for the continuation of the Authority's capital program. However, this amount could be significantly less if market conditions deteriorate by the time of the bond sales.

Government Finance Associates, Inc.

New Jersey Highway Authority
Debt Service Assumptions

1. Use of current interest rates for bonds issued by the New Jersey Highway Authority, ranging from 6.6% to 9.3%, with true interest costs to Authority of 9.15%.
2. Issuance of \$232,875,000 in Authority revenue bonds on June 1, 1988.
3. Issuance of \$121,475,000 in Authority revenue bonds on June 1, 1991.
4. Total available Parkway Construction funds over the five-year period, less monies for repayment of currently outstanding notes, are estimated at approximately \$410 million, including construction funds from bond sales and funds to be assigned to the General Reserve Fund.
5. Insurance applied to the debt service reserve fund will provide additional capacity for the Authority to receive construction funds from its bond issues.
6. Based on conversations with the rating agencies, it appears the Authority should annually contribute 4% of operating revenues to operating surplus. In addition, Standard & Poor's Corporation has requested the Parkway to maintain debt service coverage from net revenues, on an actual basis, of 1.5 times, well above the Authority's covenant of 1.2 times. The presentation incorporates these assumptions, but it should be noted that in years 1991 and 1992, the ability to achieve these desired levels becomes questionable.

**New Jersey Highway Authority
Projected Operating Results (A)
Revised Tolls (B)**

Thousands of Dollars

	1985 <u>Actual</u>	1986 <u>Actual</u>	1987	1988 (A)	1989	1990	1991	1992
REVENUES								
Toll Revenues								
Barriers	\$ 78,570	\$ 83,968	\$ 87,920	\$ 130,220	\$ 143,070	\$ 148,250	\$ 158,880	\$ 165,470
Ramps	16,556	18,002	19,410	32,160	39,320	41,260	43,740	45,730
Central Office	764	770	860	1,180	1,320	1,370	1,430	1,480
Subtotal	<u>95,903 (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>
Concession Revenues								
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>
Garden State Arts Center (D)	5,842	7,499	9,050	9,200	9,300	9,400	9,500	9,600
Income on 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>
Total Revenues	<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>
EXPENSES								
Operating Expenses (D)	63,633	70,528	81,300	103,290	114,451	125,428	139,606	152,780
Debt Service (E)	28,749	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
Total Expenses	<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>
REVENUES LESS EXPENSES	<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.

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Garden State Parkway

Memorandum

DATE: 11/5/87

TO: Julian K. Robinson, Treasurer

FROM: Frank M. Palombo, Director of Finance

SUBJECT: Recommendation to Increase
Garden State Parkway Toll Rates

Section 711(a) of the 1984 Parkway Revenue Bond Resolution requires that the Authority at all times fix, charge and collect such tolls for use of the Parkway as are required in order that in each calendar year, Net Revenues shall at least equal the Net Revenue Requirement for such year.

Section 711(b) of the Parkway Revenue Bond Resolution requires that on or before December 31, in each year, the Authority shall review its financial condition in order to estimate and determine whether Net Revenues for such year and the following year will be sufficient to comply with the Section 711(a) toll covenant. The Authority shall file with the Trustee a copy of its resolution making such determination. If the Authority determines that Net Revenues may be inadequate, it shall 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 such following year and later years to eliminate any deficiency at the earliest practicable time. Any schedule of tolls developed shall be accompanied by a certificate of the Traffic Consultants stating that in their opinion such toll schedule will meet the above-stated requirements.

A review of the financial condition of the Authority has been made. It has been determined that Net Revenues for the year 1987 will be sufficient to meet the toll covenant as set forth in Section 711 (a) of the Parkway Revenue Bond Resolution. It is estimated that Net Revenues for the year 1988 and beyond (projections from 1987 through 1992 are attached as Exhibit A), however, will not be sufficient to meet this toll covenant. Without a toll increase, Net Operating Revenue projections from 1988 through 1992 show that there will not be available any operating revenues for the Authority's ongoing Capital Improvement Program.

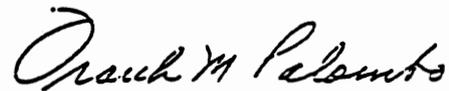
TO: Julian K. Robinson, Treasurer
SUBJECT: Recommendation to Increase
Garden State Parkway Toll Rates

11/5/87

Page 2

The Authority's Traffic Consultants, Vollmer Associates, have prepared a schedule of proposed increase in toll charges for the Parkway. A copy is attached as Schedule B. Vollmer has advised that the proposed schedule of tolls meets the toll covenant requirements.

It is therefore recommended that the Commissioners of the Authority take all action necessary to implement the attached proposed schedule of toll increases.


Frank M. Palombo

FMP:avg

cc: Commissioners
Executive Director Zilocchi

**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
REVENUES								
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>95,903 (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	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>
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	<u>115,708</u>	<u>124,332</u>	<u>131,510</u>	<u>137,440</u>	<u>142,670</u>	<u>147,810</u>	<u>156,730</u>	<u>162,820</u>
EXPENSES								
Operating Expenses (C)	63,633	70,523	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)	--	--	--	2,500	2,500	2,500	2,500	2,500
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	<u>\$ 13,306</u>	<u>\$ 17,428</u>	<u>\$ 6,249</u>	<u>\$(-11,733)</u>	<u>\$(-17,286)</u>	<u>\$(-23,033)</u>	<u>\$(-28,150)</u>	<u>\$(-35,110)</u>

(A) Prepared by Vpliner Associates.
(B) After adjustments.
(C) Furnished by the Authority.

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