



HEARING REPORT AND RECOMMENDATION

Dated May 21, 2020

**March 18, 2020 Public Hearings on 2020 Long-Range Capital Plan and
Necessary Toll Adjustment on New Jersey Turnpike and Garden State Parkway**

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- H. Transcript of the Public Hearing at the New Jersey Turnpike Authority Administration Building, 1 Turnpike Plaza, Woodbridge, New Jersey 07095 at 1:00 p.m. on Wednesday, March 18, 2020.
- I. Transcript of the Public Hearing at Camden County College, Dennis Flyer Memorial Theater, Lincoln Hall Jefferson Drive, Sicklerville, New Jersey 08081 at 6:00 p.m. on Wednesday, March 18, 2020.
- J. Written comments in support of the New Jersey Turnpike Authority Proposed Toll Plan
- K. Written comments in opposition of the New Jersey Turnpike Authority Proposed Plan.
- L. Additional Documents Comprising the Record of Proceedings (on file with the Authority)¹
 - 1. Minutes of the Public Meeting of the New Jersey Turnpike Authority, dated February 25, 2020
 - 2. Letter from Governor Philip D. Murphy Approving the Minutes of the February 25, 2020 Public Meeting of the New Jersey Turnpike Authority, dated March 3, 2020
 - 3. Power Point Presentation at Public Hearings on Proposed Toll Adjustment and 2020 Long-Range Capital Plan
 - 4. New Jersey Turnpike Proposed 2020 Toll Rate Schedules for all Vehicle Classes on the Turnpike and Parkway
 - 5. New Jersey Turnpike Authority Comprehensive Annual Financial Report for the Years Ended December 31, 2019 and 2018
 - 6. New Jersey Turnpike Authority Financial Summary for the Two Months Ended March 31, 2020
 - 7. Financial Assessment of NW Financial Group, dated May 1, 2020
 - 8. General Bond Resolution of the New Jersey Turnpike Authority, dated August 21, 1991, as Amended, Restated and Supplemented from time to time
 - 9. Newspaper and Media Commentary Concerning the Proposed Plan

10. Governor Philip D. Murphy's May 22, 2020 Pre-Approval of Toll Adjustment Resolution
 11. Treasurer Elizabeth Maher Muoio's May 22, 2020 Pre-Approval of Toll Adjustment Resolution
 12. Portion of May 27, 2020 Commissioner's Meeting Approving Toll Adjustment Resolution, together with Executive Director's Certification
 13. May 27, 2020 Letter from Governor Philip D. Murphy Waiving 10-Day Veto Period
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¹ The listed documents constitute additional documents that were considered by the Authority in connection with the proposal to adjust the toll schedules, establish a toll at the new 19W Interchange, and fund the Authority's 2020 Long-Range Capital Plan. These documents are not annexed hereto for purposes of convenience but are maintained for the Board's review in the Authority's files.

I. **Transmittal Letter from the Chairwoman dated May 13, 2020**



State of New Jersey

DEPARTMENT OF TRANSPORTATION
P.O. Box 600
Trenton, New Jersey 08625-0600

PHILIP D. MURPHY
Governor

DIANE GUTIERREZ-SCACCETTI
Commissioner

SHEILA Y. OLIVER
Lt. Governor

May 13, 2020

The Honorable Philip D. Murphy
Governor, State of New Jersey
225 West State Street, 5th Floor
Trenton, New Jersey 08625

Re: 2020 New Jersey Turnpike Authority Long-Term Capital Plan
and Associated Funding Plan

Dear Governor Murphy:

In accordance with the approval received at its Board Meeting on February 25, 2020, staff of the New Jersey Turnpike Authority ('NJTA') proceeded with a schedule of public hearings to present its vision of a long-term capital plan with the necessary funding plan. The proposed 2020 NJTA Long-Term Capital Plan and Associated Funding Plan identifies projects necessary to ensure the continued strong performance of this transportation system.

Two public hearings were conducted that allowed in-person attendance, but both public hearings were live streamed for greater public participation. NJTA provided an extended public comment period under which members of the public could e-mail comments via a dedicated web address or via regular U.S. mail. The videos of the public hearings remain on the NJTA website today. I am pleased to advise that this process allowed thousands of people to view the public hearings, far more than could have attended the public hearings in person.

Throughout your Administration, you have acknowledged the importance of New Jersey's transportation system to its overall economic success. In the publication, "The State of Innovation: Building A Stronger And Fairer Economy In New Jersey," Chapter Four highlights the importance of improving transportation and mobility across New Jersey to improve the quality of life in our communities, and to solidify New Jersey's strong position in the regional, national and global economy. The 2020 NJTA Long-Term Capital Plan and Associated Funding Plan is consistent with and supports the goal of building a stronger, fairer New Jersey. The U.S.

Department of Transportation (USDOT), as well as academic institutions and industry groups, estimate that every billion dollars invested in infrastructure creates as many as 30,000 or more direct and indirect jobs, spinning off \$2 billion or more in additional business activity. These economic benefits are significant for the State and its residents at any time. They are especially important at this time of unprecedented challenge for our State and our nation.

First and foremost, the 2020 NJTA Long-Term Capital Plan focuses on maintaining the existing infrastructure in a state of good repair. This is fundamental to any responsible capital investment strategy. Second, it targets capacity improvements in critical areas where congestion is already an issue. While it has been remarked that such capacity improvements will encourage a demographic shift in New Jersey's population, it can also be argued that the shift has occurred and these projects are necessary to maintain uncongested highway conditions. Third, the Plan is not inconsistent with the Energy Master Plan. As motorists turn to electric vehicles, a strong transportation system will still be necessary – not only for private passenger vehicles, but for the ever-present strong base of commercial traffic fueling New Jersey's economy. To encourage the use of electric vehicle technology, the New Jersey Turnpike Authority has contracted for the installation of 76 electric vehicle-charging stations on the New Jersey Turnpike and Garden State Parkway. Twenty electric vehicle-charging stations are currently available on the two major toll roads. It is expected the balance will be available by Labor Day 2020. In addition, the four statewide transportation agencies – the New Jersey Department of Transportation, NJ TRANSIT, the New Jersey Turnpike Authority and the South Jersey Transportation Authority – have come together to develop a conversion plan for its light duty vehicle fleet. This includes a statewide electrification network that will be shared by the four agencies to provide convenient electric charging availability. Please see Attachment 1 for a summary of these activities.

As I articulated in my remarks at the Public Hearings, New Jersey's transportation system must be viewed holistically. It must be balanced to remain effective. Likewise, investment must be balanced to support all modes of transportation – car, bus, truck and rail. When New Jersey's public transit system works – bus, rail and light rail, then roads can more effectively move people and goods that are not served by public transit.

The Plan set forth by NJTA recognizes its need to pivot towards new technologies to address congestion and capacity issues, but that alone will not be enough to move the millions of New Jerseyans using cleaner modes of transportation and meaningfully reducing our carbon footprint. As you know, and will read in the attached report, NJTA has been providing funds to NJ TRANSIT since 2012. Regrettably, that funding served as a replacement to General Fund appropriations, not an addition. Had the two funding sources been combined, NJ TRANSIT would find itself in a much stronger position today. Also, the funding amount contributed has decreased over time and, as of this writing, will expire in 2021.

It is with this in mind that I suggest that the economic power of the New Jersey Turnpike Authority, through the proposed funding plan, be harnessed to provide both a sustainable capital construction plan for NJTA and a permanent sustainable source of funding to NJ TRANSIT. The recommended toll adjustments of 36% on the New Jersey Turnpike and 27% on the Garden State Parkway, coupled with indexing at 3% starting in 2022, would be sufficient to provide \$1 billion of design and construction activities on the toll roads and \$375 million in 2021 to NJ

TRANSIT, increasing annually to a maximum of \$525 million annually thereafter. Using transportation dollars to pay for transportation is a sound financial practice. Under this recommendation, both agencies, and most importantly, their customers, benefit by reducing road congestion and creating the pathway to sustained planning efforts through the reduction of reduce the capital budget-to-operating budget transfer, and stabilizing the New Jersey General Fund appropriations. Further, this recommendation precludes the need for a transit fare increase in 2021. As NJ TRANSIT is poised to release its strategic and capital plans, a list of projects under consideration is included as Attachment 2. With a funding source now identified, these plans are one-step closer to reality.

Some have commented that NJTA should apply for federal stimulus funding. In a typical environment, NJTA does not receive federal or State funds for operations or capital improvements. While NJTA is in the process of submitting a request for federal relief from the financial impact of COVID-19, it is unlikely, in a time when federal funding is in such demand that NJTA, or any other toll road, would receive federal relief. Others have noted that during its 2020 budget adoption, NJTA reported that it did not need a toll increase to meet its operating expenses. That remains true. The incremental revenue generated by the toll increase will be used to fund the proposed 2020 Long Range Capital Plan and to provide financial support to NJ TRANSIT.

In sum, the 2020 Long-Term Capital Plan along with its necessary funding plan will ensure New Jersey's toll roads remain key drivers of the State's mobility, its economic and environmental health, and of its residents' quality of life.

Thank you for allowing the New Jersey Turnpike Authority to proceed with the public process for this plan. I am available to discuss the features of the program at your convenience.

Sincerely,



Diane Gutierrez-Scaccetti
Commissioner, New Jersey Department of Transportation
Chair, New Jersey Turnpike Authority

Attachments

ATTACHMENT 1

NJ TRANSPORTATION AGENCY LIGHT DUTY FLEET ELECTRIFICATION INITIATIVE

Executive Summary

In January, 2020, the New Jersey Department of Transportation, NJ TRANSIT, New Jersey Turnpike Authority and South Jersey Transportation Authority began working collaboratively to convert 25% of their light duty fleet from combustion vehicles to electric plug-in hybrid vehicles (EPHV). The team has been guided by Executive Order 100 and Senate Bill S2252; the collective goal is to have compatible vehicles and charging stations at all the agencies.

Light Duty vehicles are considered passenger type vehicles (e.g. sedans, minivans, SUVs) that have two axles, four wheels and a GVWR under 8,500 lbs. The goal is to have at least 25% of a light duty fleet converted to electric plug-in hybrid vehicles by 2025. That equates to about 240 vehicles across the four agencies. However, the agencies have developed a preliminary plan to be able convert about 386 vehicles (40%) of the light duty vehicles to EPHV by December 2025.

EPHVs are compliant vehicles, and it has been decided to initially convert to EPHVs as opposed to all electric vehicles because it will allow for a faster conversion to electric type vehicles while the charging stations are being constructed, which could take three to four years to fully complete. The combustion engine part of the EPHVs also eliminates the range anxiety associated with electric vehicles until all the charging stations are constructed.

The annual carbon emissions of an EPHV in New Jersey is about 5,038 lbs. of CO₂. A gasoline powered vehicle in New Jersey emits about 11,435 lbs. of CO₂.¹ That is a 56% decrease in CO₂ emissions annually, and when the four agencies complete the conversion of about 386 vehicles, that will result in about 2.5M lbs. less carbon emissions per year in New Jersey.

As it pertains to the build-out of a charging station network, the agencies plan on engaging academia and/or a consultant to help develop a plan to install charging stations around the State. The concept is that these charging stations will be managed much like the current State fuel system and be used for State vehicle EPHVs (or all electric only), not for general public use. The charging stations will be a mix of Type 2 chargers (about 5-8 hours to fully charge a vehicle) and Type 3 chargers (about 1 hour to get an 80% charge).

There will be two phases of installation. Phase I will be to install charging stations at the various agencies' headquarters complexes, and Phase II will be to extend installation to smaller, but geographically important satellite locations around the State. The total scope of both phases of charging stations will be to meet the S2252 goal of 100% of the light duty vehicle fleet converted to some version of plug in by 2035.

¹ https://afdc.energy.gov/vehicles/electric_emissions.html

NEW JERSEY TRANSIT PROJECTS

Projects are listed in approximate chronological order for construction

Draft

NJT

- Bus Electrification (system-wide)
- Transit Grid (system-wide)
- Positive Train Control (system-wide)
- River Line Fleet Overhaul
- Newark Penn Station, Platform D
- West Summit Interlocking and Wall
- Haritan River Bridge Replacement
- Portal North Bridge
- Lyndhurst Station
- Roselle Park Station
- North Elizabeth Station
- Delco Lead & County Yard Expansion (North Brunswick)
- Long Slip II (Hoboken)
- New Brunswick Light Rail Study
- Bus Fleet Replacement (system-wide)
- Bridge Painting Program (system-wide)
- Overhead Bridge Replacement Program (system-wide)
- New Northern Bus Garage (Ridgefield Park)
- Waldwick Interlocking
- Perth Amboy Station
- Park & Ride Bus Station Modernization Program (system-wide)
- Local Bus Shelter Modernization Program (system-wide)
- Small Yard Redesign and Construction Program (system-wide)
- River Line Modernization Study
- Rail Fleet Replacement, Multi-Level III (system-wide)
- South Jersey Bus Rapid Transit (Phila to Avandale)
- Walter Rand Transportation Center Replacement
- Morgan Draw Bridge Replacement
- Edison Station
- So. Laurel Avenue Bridge Replacement (Middletown)
- Roseville Cut Drainage Improvements (Newark)
- Red Bank Crew Quarters Replacement (NJCL)
- Meadowlands Innovation Challenge
- Woodridge MOW Building
- Bergen County Bus Rapid Transit
- Bus Terminal Rehabilitation Program (system-wide)
- Bus Garage Operational Rehabilitation Program (system-wide)
- Newark Draw Bridge Replacement
- Hunter Flyover (RVL Connection to NEC)
- Midline Loop (No. Brunswick Loop on NEC)
- Upper Hackensack Bridge Replacement/Second Track
- Britelle Draw Bridge Replacement
- Multi-Modal Facilities Improvements (Newark Penn and Secaucus)
- Newark Light Rail Station Improvements (4 Stations)
- HBLR Northern Branch Extension (Englewood)
- HBLR Southern Branch Extension (Jersey City, Rt. 440)
- Metuchen Station
- Battery-Powered Train Pilot (Bayhead)
- Route 9 Bus Rapid Transit (Howell Township)
- Brick Church Station

LEGEND

- County Boundary
- Legislative District Boundary



May 13, 2020
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II. Background

The New Jersey Turnpike Authority (the “Authority”) was created by the New Jersey Legislature in 1949 to acquire, construct, maintain, improve, manage, repair and operate transportation facilities. That legislative mandate culminated in the construction of the New Jersey Turnpike, which opened to the public in 1951. The Authority’s mission expanded as a result of consolidation legislation adopted in 2003, when ownership and operation of the Garden State Parkway (the “Parkway”), open since 1955, was transferred from the New Jersey Highway Authority to the Authority. Since 2003, the Authority has operated and maintained both major toll roads.

The Authority has a long history of successfully completing major capital improvement projects. Examples of the more significant projects are described in more detail below and represent but a few of the numerous complex capital projects that the Authority has completed at locations spanning the entire length of the Turnpike and Parkway over the last few decades. These projects have consistently reached completion on time and in several cases significantly under budget. As a result, the Authority has improved the quality of daily commuting and travel for millions of patrons, provided a reliable level of service for commercial trucking and transportation, allowed the smooth and efficient transfer of goods to and from warehouses and port facilities located along the Turnpike, and helped retain and attract business and commercial interests to New Jersey by offering high quality transportation corridors, all helping support and grow New Jersey’s economy.

For example, more than twenty years ago, the Authority approved a major capital improvement program in January 2000. Significant projects funded by the 2000 capital improvement program included the new Secaucus Interchange, an expanded and relocated Interchange 1, and improvements to many of the Authority’s 500 bridges on the Turnpike. In 2002, the Authority and the New Jersey Highway Authority, which owned and operated the Parkway at the time, reached agreement on a joint investment to rebuild the severely deteriorated Alfred E. Driscoll Bridge crossing the Raritan River on the Parkway.

In addition to its deteriorated condition, the Driscoll Bridge had fewer lanes than approaches, creating an hourglass that caused significant congestion for shore traffic. The project created seven southbound lanes and eight northbound lanes, opening the hourglass and reducing driver frustration, particularly for summer travelers. The Authority committed more than \$125 million to this very important project.

At that time, the 2000 capital improvement program was for a five-year period and was valued at approximately \$917 million. Two (2) associated toll increases were implemented, the first on September 30, 2000 and again on January 1, 2003, just more than two years apart. While the increases averaged 10%, cash customers' tolls increased 20% in 2000, and an additional 17% in 2003.

Shortly after the Authority took over control and operation of the Parkway after consolidation in 2003, the Authority began an aggressive capital investment program for the Parkway. Major projects included improvements to Interchanges 67 and 69 ramps, Interchange 98 improvements including replacement of the Route 138 Bridge, and construction of the New Jersey State Police facility in Holmdel serving the Parkway. In addition, the Authority implemented Express E-ZPass, allowing cars equipped with E-ZPass transponders to continue through toll plazas at highway speed, and Alternate Tolling, which removed toll barriers in one direction at almost every interchange on the Parkway. The Express E-ZPass and Alternate Tolling projects, in particular, improved traffic flow thereby adding to an overall favorable driver experience. The total capital investment on the Parkway between 2003 and 2008 equaled \$364.3 million, more than what was spent by the former Highway Authority in the five years prior to consolidation, without any increase in toll revenue.

During the period 2004 - 2007, the Authority conducted only two modest refinancings in order to restructure a portion of debt and raise a fairly small amount of capital. Combined, these refinancings provided approximately \$500 million of new capital, \$100 million of which was dedicated to the widening of the Parkway between Interchanges 63 and 80. In March 2008, the Authority approved two financial transactions; one in an amount of \$175 million to restructure a portion of its auction rate

securities as the result of the sub-prime mortgage crisis and another to borrow approximately \$150 million to continue much needed on-going capital construction projects. Thus, many of these capital program projects discussed above were completed making use of the proceeds of the \$917 million of capital borrowed by the Authority in 2002.

The Authority last approved a major capital improvement program and toll adjustment on October 10, 2008. At that time, the capital improvement program was for a ten-year period and was initially valued at approximately \$9.735 billion dollars. As part of the 2008 capital improvement program, the Authority committed \$1.25 billion toward a portion of the construction costs for Access to the Region's Core (ARC) Tunnel. However, in 2010, the ARC Tunnel was cancelled and the \$1.25 billion was diverted to the NJ Transit operating budget, allowing the then-Administration to dramatically reduce its state budget General Fund subsidy to NJ Transit. Without more robust General Fund support, NJ Transit's overall operating funding failed to increase by the levels needed to properly support its operations.

The associated toll increases for the 2008 capital improvement project were recommended for implementation on December 1, 2008 and again on January 1, 2012. One final increase originally included in the 2008 proposal, and to become effective in 2023, was eliminated. The increases were a maximum of 40% on the Turnpike and 43% on the Parkway in 2008, and an additional 53% on the Turnpike and 50% on the Parkway in 2012.

The additional toll revenue enabled the Authority to tackle a revised but ambitious \$7 billion capital improvement program. The centerpiece of that program was the Interchange 6 to 9 congestion relief project on the Turnpike, completed at a final cost of \$2.13 billion, more than \$300 million below budget. The Interchange 6 to 9 project is a shining example of value for the money. The Interchange 6 to 9 project added 170 lane miles to the Turnpike and represented the largest and perhaps most successful capital improvement in the history of the Authority, as it has resulted in free-flow traffic and eliminated

daily back-ups that were a serious safety concern. In fact, accidents have decreased by fifty per cent (50%) from where they were before the improvements were undertaken. Moreover, as a result of the project, drivers have been given back 15 to 20 minutes or more a day that they used to spend in that bottleneck, which is time better spent with family, friends, or just quietly relaxing with less stress and frustration.

While the Authority's \$7 billion 2008 capital improvement program called for 34 projects, 39 projects were actually completed, and within the originally authorized amount. One of the more significant projects included completion of a third lane for 45 miles between Milepost 30 to 80 on the Parkway. The Milepost 30 to 80 project was one of the most traveler-friendly projects undertaken by the Authority, having a direct, positive impact on trips to the New Jersey Shore, making them more convenient and enjoyable than ever before. As well, its positive impacts on shore travel redounds to the benefit of New Jersey's tourism generally, and the Shore economy in particular. When the 2008 capital improvement program was first adopted, there were only sufficient funds to complete just 17 miles of that congestion relief project. However, cost savings on the Interchange 6 to 9 congestion relief project, and others, allowed the Authority to add an additional 28 miles to complete the Milepost 30 to 80 project on the Parkway.

When the 2008 capital improvement program was adopted, many of the major bridges on the Turnpike and Parkway were then more than a half century old and in need of repair. Re-decking, rehabilitation and, in some cases, widening of those bridges were an important component of the 2008 program. Among the bridges that benefitted from the 2008 capital improvement program were the Casciano Bridge over the Newark Bay on the Newark Bay-Hudson County extension of the Turnpike and the Lewandowski Bridge over the Hackensack River on the eastern spur of the Turnpike, both of which underwent extensive rehabilitation. The Great Egg Harbor Bridge on the Parkway, an important route to South Jersey shore towns and an important evacuation route in the event of a hurricane or other

coastal storm event, was significantly improved. Built in 1954, the southbound bridge was demolished, and a new southbound span was constructed. The northbound bridge, built in the early 1970s, was rehabilitated.

Improvements were made at a dozen interchanges under the 2008 capital improvement program. For example, Interchange 14A on the Turnpike in Bayonne was significantly improved to relieve a bottleneck created by the toll plaza and materially contributed to better traffic flow, significantly facilitating commerce into and out of Port Newark. Interchange 163 on the Parkway improved access to Route 17 by moving the exit from the left side of the roadway to the right. Moving the exit on Route 17 to the side of slower-moving traffic significantly increased the safety of the travelling public on Route 17, one of the busiest highways in the region. Additionally, three at-grade signalized crossings in Middle Township, Cape May County, at the southern end of the Parkway, were replaced with bridges that carried local traffic over the Parkway. Removing the signals not only relieved congestion, but significantly increased motorist safety.

Between 2009 and 2019 the Authority conducted several financings. In April 2009, the Authority issued \$375 million Turnpike Revenue Bonds, Series 2009 E and \$1.375 billion Turnpike Revenue Bonds, Series 2009 F to initially fund the costs of the 2008 capital improvement program. In December 2010, the Authority issued \$1.85 billion Turnpike Revenue Bonds, Series 2010 A to further fund costs of the 2008 capital improvement program. In addition, the Authority issued \$1.4 billion Turnpike Revenue Bonds, Series 2013 A, \$1 billion Turnpike Revenue Bonds, Series 2014 A, \$750 million Turnpike Revenue Bonds, Series 2015 E and \$600 million Turnpike Revenue Bonds, Series 2017 A, again to further fund costs of the 2008 capital improvement program.

Finally, the Authority issued \$449.11 million Turnpike Revenue Bonds, Series 2019A to complete its financing of the 2008 program. The \$7 billion 2008 capital improvement program financings were completed with an average interest cost under the budgeted five per cent (5%).

After the toll increases and capital improvement program were approved in October 2008, the 2008 recession hit, negatively impacting travel on the Roadways and, in turn, toll revenue. The toll revenue projections, upon which the 2008 capital improvement program financing assumptions were premised, were reduced by more than \$1.5 billion reflecting the impact of the 2008 recession, which were obviously not expected when the projections were completed in mid-2008. Passenger vehicle traffic did not return to pre-recession levels until 2016, taking eight (8) years to recover after the recession. Commercial vehicle traffic took almost 10 years to recover, returning to its pre-recession levels in 2018. Despite this, the Authority was still able to finance its capital improvement program through prudent control of operating expenses, as well as achieving debt service savings through strategic refinancing of existing debt. In fact, since 2008, the Authority has saved more than \$1.1 billion in interest costs from bond refinancings, which allowed it to recoup some of the revenue lost from the recession and still fund and deliver its 2008 capital improvement program.

In addition to the important financial and operating guidelines and covenants contained in the Authority's General Bond Resolution, the Authority also sets its own prudent financial and operating controls, which also helped to offset the revenue losses from the 2008 recession. These governance documents and prudent financial practices require the Authority to maintain certain prescribed funding levels, and to keep the Roadways in good repair. As an example, in 2010, the Authority's Board of Commissioners adopted Financial Principles and Guidelines. These guidelines are intended to serve as a management tool to enable the Authority to communicate its commitment to a sound financial decision-making process and affirm to investors and the credit rating agencies management's commitment to the long-term financial viability of the Authority and repayment of its bonds. The guidelines set targets for debt service coverage ratios and minimum General Reserve Fund balances. In order to meet these targets, management must control spending, wherever possible.

Further, the Authority's recently adopted 2019 Strategic Plan identifies the Authority's mission,

which is to prudently manage the finances and operations of the Authority to provide its patrons with a safe, efficient, innovative, and resilient toll road system that, in turn, facilitates mobility in New Jersey and the Northeast region. One of the goals of the Strategic Plan is financial strength, which will sustain acceptable investment grade credit ratings to ensure the lowest cost of capital is obtained to finance the necessary capital projects. Minimizing the cost of capital helps to ensure that tolls are kept at the lowest rates possible.

All of these actions enabled the Authority to deliver on its pre-recession plan to have the 2008 and 2012 toll increases fully fund the \$7 billion capital improvement program. Due to its strong cost controls, the Authority was able to authorize an additional \$650 million in necessary capital improvements not included in the \$7 billion capital improvement program without the need for a toll increase.

Finally, during this period, the Authority was able to achieve debt service coverage above its targeted 1.4 times, which is the minimum level needed to maintain its credit ratings. Credit ratings indicate risk to bondholders and maintaining or improving credit ratings ensures access to capital markets at the lowest possible interest rates. In recognition of these accomplishments, Moody's Investors Service upgraded the Authority's credit rating to A2 from A3 in July 2016, and in January 2019, Fitch Rating Services changed the ratings outlook from stable to positive. These ratings actions indicate the strong financial management of the Authority, as it navigated the 2008 recession and successfully completed a 100% debt financed \$7 billion capital improvement program.

In sum, the Authority embarked on an aggressive \$7 billion capital improvement program, immediately before the 2008 financial crisis and recession, at a time when its revenue projections were cut by \$1.5 billion over a five-year period. Yet, the Authority delivered the 2008 capital improvement program on budget, with debt financing at a cost under budget, and saw its credit ratings upgraded. Thus, the Authority has demonstrated success at controlling costs and delivering capital projects on time and under budget, all while navigating challenging times.

In addition to the prudent management of its capital fund and bond debt service, the Authority has been prudent with its operating expenses as well. Since 2015, operating expenses have decreased to \$585.3 million in 2019 from \$609.6 million in 2015, which is a decline of approximately four per cent (4%). Operating expenses per lane mile also decreased during this period to \$131,000/lane mile in 2019 from \$170,000/lane mile in 2015. While the cost of living generally has increased during this period, the Authority's ability to significantly reduce operating expenses demonstrates its commitment – not to mention ability – to successfully manage its budget. Although a majority of the Authority's operating expenses are non-discretionary, such as pension, spiraling health and benefits costs, insurance costs, and costs for the New Jersey State Police, the discretionary elements of operating expenses have been closely monitored to ensure fiscal responsibility. Through judicious fiscal management, the Authority has increased its expenditures on maintenance to ensure roadway safety for its patrons and to fulfill the need for additional maintenance staff in response to the significant increase in lane miles added to the Roadways as part of the 2008 \$7 billion capital improvement program, while reducing its per lane mile operating expense. A summary of actual operating expenses is shown below:

Schedule of Operating Expenses - by Functional Category									
					Actual	Actual	Actual	Actual	Actual
					2019	2018	2017	2016	2015
Operating expenses:									
	Maintenance of roadway, buildings, and equipment				\$ 251,703	274,118	261,301	255,506	268,001
	Toll collection				161,976	170,603	160,381	183,184	172,624
	State police and traffic control				96,523	93,573	82,493	84,784	82,007
	Technology				21,068	26,417	26,794	41,413	36,404
	General administrative costs				53,985	51,471	53,911	50,582	50,514
	Total operating expenses (excluding Depreciation)				\$ 585,255	616,182	584,880	615,469	609,550
	Lane Miles - Turnpike				2,427	2,423	2,418	1,953	1,819
	Lane Miles - Parkway				2,050	2,041	2,028	1,861	1,757
	Total Lane Miles				4,477	4,464	4,446	3,814	3,576
	Operating Cost Excluding Depreciation/Lane Mile - Authority				131	138	132	161	170

In 2003, the Authority had more than 2,800 full-time positions, which has been significantly reduced to 2,101 through a reduction in full time toll collector positions, and clerical positions made

obsolete through technology efficiencies. Over the past five (5) years, full-time positions have only increased by 79 positions, which is an increase of less than 1% per year. The majority of the increase has been in maintenance, as additional crews have been added to perform routine maintenance and upkeep of the infrastructure including the additional lane miles associated with the capacity improvement projects. Less than 20 full time toll collector positions were added to adjust for the elimination of the automatic coin machines on the Parkway and the seasonal program on the Turnpike, all for savings. The positions added in Technology were in response to the termination of an outside lane maintenance program that was moved to in-house staff for savings. General and administrative additions focused on security and safety positions. The Authority is committed to the continual review of positions, looking to control full-time positions and converting positions into functional areas consistent with current tolling technologies and operations.

As was previously mentioned, in 2019 the Authority issued \$449,110,000 Turnpike Revenue Bonds, Series 2019 A, which will be used to pay the cost of construction of projects that are part of the 2008 capital improvement program. The 2019 borrowing was a clear indication that the 2008 capital improvement program was drawing to a close and a new capital improvement program would be required to maintain the Turnpike and the Parkway infrastructure to the standard that the traveling public has come to expect from these toll roads. Thus, with significant capital needs on the horizon, the Authority must adjust tolls upward in order to meet bond covenants, maintain bond ratings, and raise capital as it plans to undertake a critical capital improvement program, all while maintaining the financial stability of the Authority over the next twenty years.

On February 25, 2020, the Board of Commissioners authorized staff to hold public hearings during which a proposed 2020 Long-Range Capital Plan and toll adjustment plan was presented for public comment. The toll adjustment proposal provides for toll increases as set forth below¹:

¹ Rounded to the nearest nickel to facilitate collection.
2705987.3

	2020	Commencing 2022
New Jersey Turnpike	36%	3% per year indexing
Garden State Parkway	27%	3% per year indexing

In addition, the proposed 2020 Long-Range Capital Plan, in the amount of approximately \$24 billion, includes the following projects:

- There are many state-of-good-repair projects within the Plan that occur on both the Parkway and Turnpike at various locations around the State. The projects include multiple contracts for:
 - Resurfacing
 - Bridge Rehabilitation and Replacement
 - Drainage Improvements
 - Median Barrier Improvements
 - Lighting Upgrades to LED fixtures and circuit replacements
 - Technology Upgrades Authority-wide

In all, there are a dozen statewide, state-of-good-repair projects that are proposed with a value of approximately \$4.6 billion

- The Plan includes capacity improvement projects that are planned to occur on both Roadways and that will examine various options that can be employed to ease congestion, ensure safety, and improve mobility, including:
 - Parkway between MP 98 to MP 163 (\$5.4 billion)
 - Parkway MP 80-83 (\$75 million)
 - Turnpike Interchanges 1-4 (\$1.1 billion)
 - Turnpike Newark Bay – Hudson County Extension (full length) (\$4.3 billion)
 - Turnpike Westerly Alignment (full length) (\$5.1 billion)

- Turnpike Mainline at Interchange 13 (\$270 million)
- Turnpike Delaware River-Turnpike Bridge Replacement (\$500 million)

Overall, capacity improvement projects are valued at about \$16.7 billion

- Interchange improvement projects on both Roadways are included in the Plan at areas of highest need with a value of approximately \$265 million
- Lastly, the Plan includes resiliency and sustainability projects (features and considerations that are contemplated as part of all projects under the Plan), including:
 - Parkway Flood Zone Remediation between Bass River and Mullica River/Great Egg Harbor (\$1.4 billion)

In addition to specific resiliency and sustainability projects, all of the projects in the Plan will contain resiliency and sustainability components

The Long-Range Capital Plan is intended to document the infrastructure improvement needs of the Authority over a planning horizon of approximately 20 years. The Long-Range Capital Plan represents a balanced portfolio of critical projects that affirm and support the Authority's mission to meet the region's core transportation needs, while acting as good stewards of the public's resources in a fiscally-responsible way. The Plan was developed through a review of the current state of the Authority's remaining unimproved infrastructure from prior capital improvement programs. The completed review provided a list of potential projects to address many outstanding needs. This review included extensive coordination among the Authority's executive and senior technical staff and subject matter experts from the Authority's General Consulting Engineer.

The work began in 2015 and culminated in the 2020 Long-Range Plan. The potential projects included in the 2020 Long-Range Plan were developed based on current and projected future needs. The focus for project identification consisted of maintaining a state of good repair, maximizing patron safety, utilizing input from the Authority's executive and senior technical staff based on their first-hand

knowledge of the facilities, and engineering expertise and judgment. Much of the Authority's facilities are nearing 70 years in age and many state-of-good-repair projects are needed as a result. In addition, patron safety, mobility, sustainability, and resiliency are also considered as important factors.

Given the scope of work to be done, all projects cannot be physically executed at the same time, and not all projects are of equal merit when weighted against the safety of the Authority's patrons and the imperative of maintaining a state of good repair for the Authority's assets. Therefore, a ranking system was utilized to prioritize the selection of projects for execution.

As a starting point, the Authority's Strategic Plan was used as a guide in prioritizing potential projects for promotion into a coherent investment plan for the future. The Mission Statement from the Authority's Strategic Plan is

"To prudently manage the finances and operations of the New Jersey Turnpike Authority to provide our customers on the New Jersey Turnpike and Garden State Parkway with a safe, efficient, innovative, and resilient toll road system, which facilitates mobility in New Jersey and the Northeast United States."

The stated Core Values of the Authority, as taken directly from the Strategic Plan, are as follows:

Safety

Diversity

Innovation

Transparency

State of Good Repair

Customer Satisfaction

Resiliency & Sustainability

Long-Term Financial Stability

The core values of Innovation, Diversity and Transparency will serve to complement the

character of the projects after they have been selected and prioritized. Utilizing the guidance developed within the Strategic Plan, coupled with the Vision Statement and Core Values, projects were assessed and ranked for inclusion in the 2020 Long-Range Capital Plan. Subsequently, a similar process will be employed to create the five-year rolling capital improvement program for implementation.

The actual implementation of the projects identified in the Long-Range Plan will be carried out through the rolling five-year capital improvement program. This perpetual five-year capital improvement program will consist of the projects that have the highest priority and will be budgeted and funded in five-year tranches for concept development, planning, environmental review, final design, and construction, with each project being individually authorized by the Board of Commissioners. The number of projects and value of the five-year capital improvement program will conform to various priorities (safety, mobility, state of good repair, and others as described above), funding and financial constraints, and overall consistency with the Authority's Strategic Plan.

As projects are completed in each five-year plan, they will be replaced by new projects that are added on a year by year basis during each five-year tranche. In other words, at the end of each year, a new fifth year is added to the plan, based on what work has been completed and projecting what new work can be added as funds become available. In addition, projects that take longer than five years to implement will continue to remain in the capital improvement program until completed. Finally, financing and funding commitments will be made for each five-year capital improvement program. All future projects will still require the Board authorization. The 2020 Long-Range Capital Plan is a blueprint for future spending, and can be found in Appendix E.

It is the opinion of Authority staff and its consultants that the 2020 Long-Range Capital Plan is prudent in light of the needs of the Authority and will put the Authority on sound financial footing for the next twenty years.

III. The Public Hearing Process and Public Comment Period

In accordance with N.J.S.A. 27:23-5.10-11, and with the approval of the Authority Board of Commissioners granted at its February 25, 2020 public meeting, two (2) public hearings² were held on March 18, 2020 to provide proposal presentations and provide the public with an opportunity to comment on the Authority's proposed toll adjustment and establishment of a toll for the new Interchange 19W. An afternoon hearing was held at the Authority's Woodbridge Administration Building, and an evening hearing was held at Camden County College. The Public Hearing Schedule was as follows:

Wednesday, March 18, 2020 – 1:00 p.m. – 3:00 p.m.
 New Jersey Turnpike Authority
 1 Turnpike Plaza,
 Woodbridge, New Jersey 07095

Wednesday, March 18-2020 – 6:00 p.m. – 8:00 p.m.
 Camden County College
 Dennis Flyer Memorial Theater
 Lincoln Hall Jefferson Drive
 Sicklerville, New Jersey 08081

Notice of the public hearings, which included a summary of the proposed toll adjustments, was published on March 7, 2020 in the following newspapers:

The Star Ledger
 The Courier News
 Asbury Park Press
 The Times of Trenton
 Courier Post
 Home News Tribune
 The Jersey Journal
 The Bergen Record
 The South Jersey Times
 The Press of Atlantic City

A copy of the advertisement is attached as Appendix B.

² The Authority advertised and planned for three (3) public hearings that were to be held over the course of two (2) days, March 18 and March 19, 2020. However, as a result of Covid-19, the third hearing site, Ramapo College of New Jersey, closed its campus facilities days before the hearing. The Authority held the remaining two (2) public hearings as originally scheduled.

Members of the public in attendance at the hearings were instructed by the Authority's Director of Law, Robert J. Carroll, regarding the procedures for making both spoken and written comment. Additionally, in recognition of COVID-19 and in preparation for the public hearings at both locations, the Authority instituted special safety protocols including maintaining attendee social distancing, and special repetitive sanitizing actions were employed for the entire hearing processes.

Chairwoman Diane Gutierrez-Scaccetti began the presentation on the proposed capital improvement plan by emphasizing its importance to New Jersey and its transportation network as a whole. Specifically, Chairwoman Gutierrez-Scaccetti noted that funding the proposed 2020 capital improvement program will not only bolster mobility and improve safety on the Authority's toll roads but will help drive the State's economy and provide an especially-needed stimulus in the face of Covid-19 impacts.

Further, Chairwoman Gutierrez-Scaccetti commented on the Senate President's call for the Authority to continue providing a revenue stream to New Jersey Transit. In recognition of the need for a balanced statewide transportation system, Chairwoman Gutierrez-Scaccetti committed to examining that request to determine a level of sustainable funding that would not jeopardize the Authority's important capital projects to be funded by the proposed toll increase. In this regard, the Chairwoman explained that under the proposal, the average toll for a passenger vehicle on the Turnpike would increase from \$3.50 to \$4.75, and on average would increase on the Parkway from \$1.11 to \$1.41.

Chairwoman Gutierrez-Scaccetti explained that the proposed tolls would be indexed commencing on January 1, 2022 by up to 3% annually, to keep up with rising costs and create a reliable funding source into the future. Toll adjustments are applied equally across all vehicle classes. Toll schedules for all vehicles classes showing the proposed new rates were available for public review at the hearings on display boards and were also available on the Authority's website at www.njta.com. As the Chairwoman pointed out, even with the adjustment, the toll rates will remain in line with the rates

established at other toll roads across the nation. A display chart comparing toll road rates at 47 toll roads was available for inspection as well.

Additionally, the Chair briefly outlined two other changes to the proposed toll schedules. First, a proposed toll was being established for the new 19W Interchange, which provides access between the Western Spur of the Turnpike and the Meadowlands Sports Complex, including the American Dream experience. The 19W Interchange alleviates the need for drivers to enter onto Route 3 at Interchange 16W to access the Sports Complex or American Dream by providing more direct southbound ingress and northbound egress to the Turnpike. Vehicles using 19W will pay the same toll they would have paid if accessing the Sports Complex from 16W.

Secondly, the differing bus discounts on the Parkway and on the Turnpike will be replaced with a uniform 40% discount to all buses on both toll roads.³ All other discount programs offered by the Authority will remain the same.

To conclude her presentation, Chairwoman Gutierrez-Scaccetti provided a brief overview of some of the more significant projects that were completed as a result of the last approved toll increase in 2008. Greg LeFrois, P.E., of HNTB Corporation, the Authority's consulting engineers, was then introduced to provide a presentation of the proposed capital projects. Mr. LeFrois summarized the projects, which include statewide repair and improvement projects relating to resurfacing, bridge rehabilitation and replacements, drainage improvements, median barrier improvements, and lighting and technology upgrades. Additionally, there are congestion relief projects planned, including between Exits 98 in Wall Township and Exit 163 in Paramus, and Exits 80 to 83, on the Parkway, and Interchange 1 to 4 on the Turnpike.

On the Turnpike, major projects include the Newark Bay-Hudson County Extension, which will

³ The Authority is proposing a uniform discount to all over-the-road buses traveling on the toll roads to comply with the federal Fixing America's Surface Transportation (FAST) Act (Pub. L. No. 114-94).
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be reconstructed for its entire length, and the Turnpike mainline at Interchange 13, a new Delaware River Turnpike bridge, as well as other interchange improvements on both Roadways. Finally, Mr. LeFrois described resiliency and sustainability projects that are proposed, specifically noting a major project on the Parkway for flood zone remediation between Bass River and Mullica River at Great Egg Harbor. All of the proposed projects were displayed on poster boards at each respective hearing venue (Appendix D), as well as being available on the Authority's website for review.

As noted above, in light of Covid-19, the Authority took prudent measures to ensure social distancing and maintain sanitary conditions for those who were physically present at the hearings. Forty-two (42) individuals attended the hearings, and 17 attendees took the opportunity to speak. The seventeen who spoke at the hearings, all in support of the proposed toll adjustments and associated capital improvement program, were Mike Makarski, head of Internal Affairs for the Engineers Labor Employer Cooperative, Labor Management Funds, International Union of Operating Engineers, Local 825; Jerry Keenan, Executive Vice President for NJ Alliance for Action; Zoe Baldwin, Direct of Government Affairs with Utility & Transportation Contractors Association; Bob Briant, New Jersey Asphalt Paving Association; Joe Fiordaliso, President of American Council of Engineering Companies of New Jersey; Dennis Brady, resident of Matawan; Ciro Scalera, Director of Government Relations for Laborers International Union of North America; Anthony Attanasio, former Transportation Executive; Jason Friedman, United Brotherhood of Carpenters and Joiners of America; Cyndie Williams, Eastern Atlantic States Regional Council of Carpenters; Barry Kushnir, Turnpike Employees' Union and President of Hudson County Central Labor Council; Steve Stokes, Carpenters Union Local 255; Bill Coffin, Heavy Highways Local 172; John Robinson, Carpenters Local 255; Andrew Bulakowski, Carpenters Eastern Atlantic States Regional Council; and James Mellett, Civil Engineer for Churchill Consulting Engineers. Copies of the official transcript of each hearing are contained in Appendices H and I.

In addition, for those who chose not to attend, the Authority live-streamed the hearings, which

were viewed by approximately 444 individuals. A video of the hearings was posted on the Authority's website and viewed by 2,546 individuals. Further, the Authority provided an extended comment period after the hearings, to April 3, 2020, during which interested members of the public could email, regular mail or courier written comments to the Authority. The Authority received approximately 2,389 written comments, with 2,216 in support, and 173 in opposition to the proposed toll adjustments and associated capital projects prior to the April 3, 2020 comment period end date. Copies of the comments received during the public comment period in support and in opposition are provided in Appendices J and K, respectively.

IV. Summary and Analysis of Written Public Comments

Written comments were provided equal weight and were reviewed as thoroughly as the comments provided in person at the hearings. As noted above, the public comment period commenced with publication of the Notice of Public Hearing (Appendix B) on March 7, 2020 and closed at 5:00 p.m. on April 3, 2020. All written comments received during that period have been considered. As noted above, a total of approximately 2,389 written comments were received during the comment period. Given the extended period for the submission of written comments, along with modern technology that allowed for the public to review materials and submit comments online, the Authority believes that the public has been provided with a fair opportunity to comment on the proposed toll adjustment, standard bus discount and new toll at Interchange 19W.

1. COVID-19 Concerns

At least seventy commenters expressed concerns that the toll increases would create an economic hardship, especially during the response to Covid-19. Almost 2,000 written comments and virtually all 17 speakers at the hearings, a significant portion of which represented unionized workers, expressed the need for jobs particularly during the current circumstances, and voiced support for a toll increase on the grounds that the resulting construction projects would be beneficial for the State economy.

Response: The Authority recognizes the difficulties presented by Covid-19. However, the Authority has an obligation to run a safe and efficient transportation system, and the need to maintain that system in good repair remains constant, in good times and in bad. It was against this backdrop that the Authority initiated the process to approve funding for a new capital improvement program that began long before Covid-19. When it was thrust upon us, the Authority carefully weighed the pros and cons of moving forward with the proposed funding process. The decision was not undertaken lightly.

Rather, the Authority considered the importance of commencing a capital improvement program that includes critical bridge repairs, repaving projects, median improvements and congestion relief; the

ability to protect the public who chose to personally attend the public hearings; the ability to provide for virtual attendance by livestreaming the public hearings in real time; the ability to honor its commitment to insure that all members of the public would be able to view the recorded hearing presentations and display exhibits on the NJTA website as well as having their voices heard through an extended period of written comments; and the anticipated need for an economic stimulus to assist the State's recovery post Covid-19. When all factors were taken into consideration, the result was clear: there was no downside, only an upside, to continuing with the process. The Authority believes that the proposed capital projects will create thousands of jobs and will provide a significant boost to the State's economy at a time when both are critically needed.

Most importantly, the proposed capital projects will provide a stronger infrastructure for years into the future. The benefits of a strong transportation infrastructure cannot be overstated. It is the lifeblood of a robust economy. It powers businesses and connects workers to their jobs. Shaving just minutes off a trucker's trip allows faster delivery of goods and, when multiplied by the magnitude of the trucking industry, adds incalculable efficiency that translates into lower costs, not only to the benefit of the industry but to the consumers it serves. Moreover, reducing commute times to and from work adds to an intangible benefit – improved quality of life. Less time spent commuting leaves more time for enjoyable activities such as playtime with children, visiting friends, and enjoying hobbies. In sum, investing in transportation infrastructure, such as the proposed capital projects here, is an investment in the State's future economic vitality; moreover, its economic benefits come with the added bonus of improving the quality of life for all who rely on it.

2. Environmental Concerns

The NJTA received a total of 32 written comments opposing the proposed toll increases based upon various environmental concerns.

Response: Six comments were received questioning whether the projects referenced in the 2020 Long-Range Capital Plan have been properly vetted for environmental impacts or claiming that the
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projects will result in unacceptable environmental impacts. Initially, it should be noted that the Authority has not yet advanced any of the projects in the Long-Range Capital Plan beyond concept development. As projects are advanced through preliminary design, final design and, ultimately, permitting, the Authority and its team of professionals will carefully assess each project to identify potential adverse environmental impacts and take measures to avoid, minimize or mitigate any unavoidable adverse environmental impacts. In addition, each project that may affect certain regulated environmental resources such as wetlands, threatened and endangered species habitat, water features, forested areas, as well as specially-regulated lands such as Green Acres property, preserved farmland, or other State-owned lands, will be subject to multiple environmental permitting reviews administered by multiple State and, possibly federal, agencies.

Projects that require federal permits and approvals would also trigger project review under the National Environmental Policy Act, P.L. No. 91-190 (NEPA). Further, any project subject to State permitting, regardless of whether federal permitting is needed, may also be subject to the requirements of Executive Order 172, which mandates that the Authority hold a public hearing to advise the public of certain highway projects prior to the start of construction, and Executive Order 215, which requires the Authority to prepare an Environmental Impact Statement for certain projects based upon their overall size and cost. Notably, EO 172 hearings will occur after the project design has been advanced sufficiently to inform the public about the project's final estimated costs, unavoidable environmental impacts, permitting requirements, project schedule and possible mitigations for any unavoidable environmental impacts.

These hearings are precisely intended to inform the public about each project and allow the public an opportunity to ask questions and provide meaningful input for consideration by the Authority. Pursuant to EO 215, the Authority is required to make a detailed submission to the New Jersey Department of Environmental Protection (NJDEP) for review and input concerning each project. The

EO 215 process does not replace, but rather is in addition to, any other project-applicable State and federal permitting processes. By way of example, the Mile Post 30 to Mile Post 80 Parkway widening required thirteen (13) State and federal permits and approvals including both a NEPA Environmental Assessment, and a Coastal Area Facilities Act Environmental Impact Assessment, most of which provided for public engagement.

Many State and federal environmental permits and approvals require that projects include mitigation measures ranging from land acquisition to avoid secondary impacts, compensatory wetland mitigation, historic preservation mitigation, threatened and endangered species mitigation and replacement land to mitigate for impacts to State-owned or otherwise preserved open spaces. Often, these mitigation measures require offset ratios that are many times greater than 1 to 1, resulting in net-positive environmental results post implementation of mitigation measures.

It is important to note that in each case the determination to undertake a roadway project will be the result of careful planning, transportation engineering and environmental studies done over a period of time. These studies will be done to identify the need for the project, and actual or forecasted traffic growth supporting the determination of need.

Nine comments submitted stated that, if implemented, the 2020 Long-Range Capital Plan will result in negative impacts to air quality that will further exacerbate climate change in the region. The Authority understands these concerns; however, they must be compared and contrasted with the known negative air quality effects that result from continued traffic congestion. By keeping traffic moving and reducing idling of passenger and freight vehicles, these currently-occurring impacts can be reduced. The NJDEP, pursuant to Executive Order 100, is now in the process of developing Protecting Against Climate Threats (“PACT”) regulations that are intended to address impacts that can result in climate change. To the extent any regulations developed by the NJDEP related to climate change are applicable to any future Authority project, the Authority will work with NJDEP to comply with those regulations.

Further, electric vehicles represent a growing component of the vehicles utilizing the Turnpike and Parkway. As more of these zero-emission vehicles enter the market they will have positive impacts on air quality in the region. To foster zero emission vehicle market penetration the Authority has entered into agreements with both Tesla and EVGo providing locations for charging stations at Authority-owned Service Areas on the Turnpike and Parkway. To date 20 charging stations have been installed on the Roadways as follows: four (4) Tesla and two (2) EVGo active charging stations at Molly Pitcher Services Area; four (4) Tesla and two (EVGo) active charging stations at Joyce Kilmer Service Area; and two (2) EVGo active charging stations at Vince Lombardi Service Area; and on the Parkway, two (2) EVGo charging stations each at Forked River Service Area and Brookdale North Service Area, to be activated during the month of May 2020; and two (2) active charging stations at Brookdale South Service Area. In addition, the Authority anticipates an additional 56 charging stations to be constructed over the next several months. By adding these charging stations, the Authority anticipates reducing “range anxiety,” which will, in turn, reduce a driver’s reluctance to purchase an electric vehicle.

As noted, traffic congestion can generate substantial air pollutant emissions that adversely affect air quality. To alleviate congestion, improve safety and facilitate maintenance activities, given the constraints imposed by the Authority’s existing facilities, the Authority began offering congestion pricing in 2000. E-ZPass passenger cars driving in off-peak hours on the Turnpike receive a 25% discount from the peak E-ZPass rate. In addition, commercial vehicles enrolled in the Authority’s off-peak E-ZPass discount program receive a discount based on the monthly dollar value of tolls incurred during off-peak travel on the Turnpike. The Authority is presently studying the possibility of implementing other tolling strategies that would further address congestion relief and environmental concerns.

In addition, the Authority offers a freight management corridor intended to facilitate the movement of commercial vehicles and separate commercial vehicles from passenger vehicles. Truck

lanes currently operate on the Turnpike in both the northbound and southbound direction starting just south of Exit 6 and continuing to just south of the split into the Eastern and Western Turnpike spurs. In this segment, the inner Turnpike roadway is reserved for passenger cars only and the outer roadways are open to commercial vehicles (trucks) and passenger cars. While passenger cars may operate on the outer roadway, this roadway effectively operates as a truck only facility during late night and early morning.

Twelve comments submitted expressed concerns related to the potential for the 2020 Capital Plan projects to result in what is commonly referred to as “induced demand.” Induced demand is the theory that if a congested roadway is widened it will attract additional new vehicles that previously were not inclined to drive at all. This should not be confused with the ability of a project to draw existing drivers away from surrounding arteries and onto the mainline of the Turnpike and /or Parkway.

Many Authority projects are designed to accomplish this result and by doing so such projects move traffic more efficiently, reduce congestion on surrounding local roadways, improve safety and allow for maintenance to be performed more efficiently both on surrounding roadways and along the Parkway and Turnpike. As noted above, the projects included in the Long-Range Capital Plan are in the early stages of development. The proposed projects will be refined to determine what, if any, unavoidable environmental impacts may result from their respective implementation, and what, if any, the potential may be for any of the projects to generate induced demand. The Authority always considers traffic diversion when developing a project.

For a project to maintain its long-term functionality, it must take into account both current and future projected traffic conditions. If a project is planned and implemented without considering potential future traffic conditions, its usefulness could degrade quickly over a short period of time post construction. The Authority’s long planning horizon requires that it take into account future traffic conditions that will be generated by each project as well as conditions that will be generated by associated or regionally proximate projects, including local land use impacts. Part of these traffic analyses, as noted

above, will also address the potential for a project to generate induced demand. It is not possible at this time, without additional information, to determine whether any project contained in the Capital Plan could result in induced demand. However, that will be addressed as each project goes through the planning process.

3. Authority Finance Issues

Nine commentators complained that the capital projects are a waste of funds and that toll increases would not be necessary if the Authority cut spending, reduced salaries and benefits and eliminated staff.

Response: As noted in Section II, “Background,” the Authority is governed by its enabling legislation and its General Bond Resolution, both of which set important financial and operating guidelines for the Authority. The financial statements of the Authority are audited each year by an outside independent auditing firm. The State Comptroller also has oversight over the Authority’s finances.

In addition to the important financial and operating guidelines established by the Authority’s enabling legislation and the General Bond Resolution, the Authority also sets its own prudent financial and operating controls. These governance documents and prudent financial practices require the Authority to maintain certain prescribed funding levels, and to keep the Roadways and associated facilities in good repair.

The Authority adopts an annual operating budget, and through a series of internal controls, limits spending to stay within that budget. The Authority does not exercise direct control over many aspects of its budget, such as health benefits, State Police protection, state pension fund contributions, property and casualty insurance and utility costs. Benefits given to employees are contractual for union employees and have been negotiated with the respective unions.

4. Comparison of Turnpike Tolls Vs. Other Jurisdictions

Many favorable comments characterized the proposed toll increase as “minor” when compared to the “measurable” improvements to be derived from the proposed capital projects to be funded by the increase. Eight commentators expressed opinions that the proposed toll increases were “excessive,” “significant,” and generally “unaffordable.” Some commented that tolls in the “northeast corridor,” including New Jersey, were the highest in the nation and that the Turnpike, in particular, was very high. One commentator stated that they avoided travelling through New Jersey because of excessive tolls.

Response: By way of background, as briefly described above, as a means of reducing government, in 2003 the New Jersey Highway Authority, which operated the Parkway, was abolished and the Authority assumed all powers, rights, obligations, assets, debts, liabilities, and statutory responsibilities of the Highway Authority, including ownership and operation of the Parkway. As a result, the assets and liabilities of the Authority and the Highway Authority and the ongoing operations, expenses, and revenues of the Turnpike and the Parkway are now combined under the ownership and operation of the Authority.

The Authority has increased tolls on the Turnpike seven times since its opening in 1951. The effective dates of those increases were March 23, 1975, April 1, 1980, March 17, 1991, September 30, 2000, January 1, 2003, December 1, 2008 and January 1, 2012. Tolls on the Parkway have increased just three times since its opening in 1955. The first increase on the Parkway went into effect April 15, 1989, the second increase took effect December 1, 2008 and the third took effect on January 1, 2012.

Currently, on a cost per mile traveled basis, the passenger car toll rates for the Garden State Parkway are the fifth lowest, and the existing toll rates on the New Jersey Turnpike are in the bottom half of all of the nation’s 47 toll roads. The charts at Appendix L3, Passenger Rate Comparison and 5-Axle Truck Rate Comparison, show a comparison of the toll rates for the Parkway and Turnpike as compared to other toll roads in the country. The charts are sorted from lowest cost per mile to highest.

The rates are shown before and after the proposed 27% increase on the Parkway and 36% increase on the Turnpike. The charts demonstrate that, even after the proposed toll increase, the cost per mile rate for passenger vehicles and for commercial vehicles on the Parkway are the 14th and 15th lowest, respectively, in the country, while the proposed rates on the Turnpike for passenger vehicles and commercial vehicles are the 27th and 29th lowest, respectively, out of 47 toll roads.

5. Why Does Authority Need this Funding?

As described in Section II hereof, the Turnpike opened in 1951 and the Parkway in 1955. As a result, much of the infrastructure on both Roadways is very aged, in many cases nearing 70 years old, which is getting close to useful life for certain assets. Very much like a utility company, the Authority relies solely on the users of the Authority's transportation facilities to pay for their use. These user fees (tolls) provide the only funding the Authority receives to operate, maintain, and sustain its facilities. The Authority does not receive State or federal funding for its operations or capital investments. The Authority has traditionally been very sparse with toll increases, typically implementing them only in order to maintain its infrastructure assets and to ensure a safe and efficient travel experience for its patrons.

After significant study and planning, the 2020 Long-Range Capital Plan was developed to address state of good repair, customer safety, mobility, and sustainability and resiliency needs on both the Parkway and Turnpike. Please refer to Section II, "Background," for additional details on the project planning and selection process.

The projects that make up the Plan are all necessary to allow the Authority to adequately serve the traveling public and help ensure the longevity and proper operation of the transportation facilities. Since the Authority relies solely on toll revenue as a funding source, it is evident that toll rates need to be adjusted to accommodate the funding needs of the Authority to carry out its role and execute the Long-Range Capital Plan. The Authority's existing toll rates were established at levels that would provide

funds to repay interest and principal on the bonds that were issued to finance the 2008 \$7 billion capital improvement program. As the program and its financing have come to an end, this premise still holds true. However, the current toll rates were never set to provide funding above the \$7 billion program, although the Authority's capital needs obviously extend beyond that horizon into the coming years.

The proposed toll adjustments and toll revenue projected to result therefrom will not produce enough funding in a timely manner to finance the entire Long-Range Capital Plan. Instead, the Authority intends to issue Turnpike Revenue Bonds, as needed, to provide the funding, and the additional toll revenue will be used to pay interest and principal on the bonds over a 30-year period. This will allow the Authority to implement the Long-Range Capital Plan, which is consistent with the Strategic Plan.

6. Local Traffic Diversion

The Authority plans to implement a new Long-Range Capital Plan. All toll authorities must generate enough revenue to support ongoing and future improvements in order to maintain fast, efficient, and safe travel for its patrons. The last toll increases on the Roadways, as noted above, occurred in January 2012, where rates on the Turnpike increased by 53% and on the Parkway by 50%. The proposed rate increases required to support the 2020 Long-Range Capital Plan are much lower, i.e., a 36% increase on the Turnpike and a 27% increase on the Parkway.

Traffic diversion can be an issue when rates are increased on toll roads, including the Roadways. Analyses of diversions during past toll increases on the Turnpike and Parkway, and estimates for the current proposed increases, indicate that traffic diversion will likely be minimal. Traffic volumes only declined by about 3.5% on the Turnpike and Parkway as a result of the 53% and 50% toll increases in January 2012. Traffic under the proposed 36% and 27% toll increases on the Turnpike and Parkway, respectively, are estimated to decline by about 3.7% and will return to pre-toll traffic volumes in 3 years, or by 2023.

Not all traffic losses on toll roads lead to equal amounts of diversion to local roads. Some trips

are not made or are combined with other trips, some of those leaving the toll road can chose to use transit or carpool, and others can choose to use an alternate route. And, for many of those with time flexibility, they use an alternate route in a less congested, off-peak, time period. Observed low diversion from past toll increases on the Turnpike and Parkway, however, indicate that the safe and efficient travel provided by the Turnpike and Parkway far outweighs the toll paid.

Turnpike and Parkway capacity improvements and other improvements that have been made over the years are meant as much to promote an efficient and safe driving environment as well as to accommodate increased travel demand. However, such improvements have not led to huge growth. Over the last 20 years, total toll transactions on the Turnpike and Parkway have grown at just over 1% per year. Forecasts for the next 20 years estimate growth rates of just under 1% per year. The Authority's Long-Range Capital Plan is meant to maintain the safety of the traveling public by investing in the two principal arteries that traverse the length of the State. And in so doing, that investment directly contributes to construction jobs and indirectly to faster commutes and safer travel for passenger and commercial vehicles and to the State and regional economy.

Traffic diversions that may occur due to construction activities on the Turnpike and Parkway will be examined in detail during the planning and environmental documentation phase of each individual project. However, in general, mitigation measures are typically utilized by the Authority to minimize traffic disruption during construction. Those measures normally include constraining construction work to overnight hours and other periods of low traffic volumes, ensuring safe and adequate maintenance of traffic operations by Authority contractors, minimizing lane closures, and employing similar measures intended to keep traffic disruptions to a minimum.

Traffic diversions that may occur as a result of reconfiguration and/or completion of interchanges will also be examined in detail during the planning and environmental documentation phase of each individual project. The interchange projects contained in the Long-Range Capital Plan have been

identified as possible projects that will be implemented as part of a capital improvement program in the future. Each project will have its own planning and environmental process, public input and public hearing process, and closer scrutiny for traffic impacts. Specific issues associated with each project will be addressed during the planning and environmental phases.

7. Miscellaneous Opposition Comments

Several commentators questioned why tolls were not removed once the initial bonds were paid off, while several others argued that tolls represented double taxation because motorists also pay a gas tax. Three commentators questioned why discounts were not offered to motorcycles.

Response: As to continuing tolls on the Roadways, tolls were established to repay bonds issued for the initial construction of the Turnpike and the acquisition of the land needed for the right of way, starting in 1948. However, like any other capital asset, the Turnpike system requires constant maintenance and upkeep to continue operations. If the tolls had been removed once the original bonds were paid off, the costs of continued maintenance and upgrading of the Roadways would fall on everyone through payment of the gas tax or other State taxes, whether one used the Roadways or not. In other words, without tolls, the maintenance of and improvements to the Roadways would be subject to annual appropriation from the State's General Fund. Rather, as explained in Question 5, above, the tolls represent a user fee so that those who use the Roadways pay for them, and those who do not are not otherwise taxed at the gas pump or through payment of State taxes.

Absent continuing tolls, the Authority would not likely have had sufficient funds to ensure the maintenance and safety of its bridges and roads nor would the Roadways have benefited from necessary improvements like the rebuilding and expansion of the Driscoll Bridge on the Parkway, the congestion relief project on the Turnpike between Interchanges 6 and 9, and the removal of three at-grade signaled crossings in Middle Township, at the southern end of the Parkway, that were replaced with bridges that carry local traffic over the Parkway. Again, it is important to stress that the only source of money to

maintain the Roadways and meet patron needs is the continued collection of tolls.

Furthermore, as explained above, tolls are not a tax. A toll is a user fee, collected from those individuals who use the Roadways. Without continuing tolls, the Roadways would be dependent upon revenue generated from the gas tax, as well as other State taxes, thus leaving less revenue available to support the maintenance, repair and expansion of non-toll roads throughout the State. Neither the gas tax nor other State taxes support the Authority's operations, as the Authority is a self-sustaining independent agency.

Finally, as to discounts for motorcycles, in fact, motorcycles are accorded the same discounts that are provided to passenger vehicles on both Roadways.

8. Fund NJ Transit and/or Other Mass Transit

Five comments submitted did not object to the toll increase but indicated a preference that the Authority spend more funds developing and expanding mass transportation opportunities. Approximately 27 commenters complained that the Authority was focusing on roadway expansion when its efforts and money would be better spent toward improving mass transit

Response: In fact, improving capacity on the Roadways may not be accomplished solely through expanding traffic lanes. The Roadways, State highways and mass transit are components of the State's integrated transportation system, and each component is interdependent on the others. A failure in one component works to the detriment of the others and, vice versa, investments in improvements to one component works to the benefit of the others.

For example, investing in mass transit so that it becomes more reliable and accessible, increases usage which, in turn, relieves congestion on the State's roadways, including the Roadways. Thus, capacity improvements on the Roadways may not mean laying new pavement but might be accomplished through investment in bus rapid transit systems or other mass transit opportunities. And, as noted at the hearings on the proposed toll adjustments and 2020 Long-Range Capital Plan, the Senate President has

called for a continuing stream of revenue from the Authority to New Jersey Transit, and the Authority has committed to reviewing the issue to determine how this can be accomplished while maintaining the integrity of the capital program.

9. Bus Industry Concerns

Members of the bus industry expressed concern that toll increases will reduce ridership and punish individuals who commute by bus instead of by car. Industry members urged the Authority to adopt a “forward-thinking” policy that reduces rather than increases tolls.

Response: The proposed toll increases will fund a capital improvement program that includes Roadway resurfacing, bridge rehabilitation and replacement, drainage improvements, median barrier improvements, lighting and technology upgrades, capacity enhancement projects including between Wall Township and Paramus on the Parkway, the entire length of the Hudson County Newark Bay Extension and Interchanges 1 to 4 on the Turnpike. Additionally, the program includes flood zone remediation between Bass River and Mullica River on the Parkway. These projects will enhance safety, relieve congestion and improve mobility for all roadway patrons, including bus commuters.

In recognition of the need to incentivize commuters to utilize mass transit, the Authority has for many years provided bus discounts to encourage reduced fares for bus commuters. As a consequence of the current discounts, buses pay different rates on the Turnpike and Parkway and, in some cases, different types of buses, e.g. publicly-operated versus privately-operated buses, pay different rates on the same Roadway. On the Parkway, some buses receive no discounts because they have not applied for them.

However, as a result of federal legislation, Fixing America’s Surface Transportation, Pub. L. No. 11494 (the “FAST Act”), the Authority is required to address the disparity in bus discounts. Under the FAST Act, which applies specifically to the Parkway, privately-operated buses serving the public must be tolled at the same rates, terms, and conditions as public transportation buses are tolled. After much review and consideration, the Authority determined that a standard 40% discount for both publicly and

privately-operated buses, applied on both the Parkway and the Turnpike, will provide fairness, uniformity of treatment, transparency and compliance with the FAST Act, will result in increased discounts for a majority of the bus industry, and will permit the bus industry to continue to offer reduced fares to its riders.