

Discussion Points

Department of Transportation

1. The New Jersey Economic Development Authority recently took action to reduce exposure to the increasingly declining auction rate bond market, to reduce the impact of increased yield costs.

- **Question: What is the exposure of the Transportation Trust Fund Authority to this market, in either debt holdings or investments? Does the Authority hold investments in any form of mortgage-backed or collateralized debt obligations? If so, have those values been appropriately marked down to current market value for reporting purposes**

TTFA has issued \$345 million of outstanding auction rate bonded debt which remain outstanding. The Authority holds no investments in any form of mortgage backed securities or collateralized debt obligations.

- **Question: It is possible that this market collapses entirely. Will a decline in credit availability affect the TTFA business model, which explicitly relies on constant and increasing debt? If credit availability continues to decline, or if the TTFA rating declines, how will the TTFA continue to finance increasing amounts of debt?**

While the collapse of the auction rate bond market has increased the debt service by approximately \$200,000 per week in the short term, the Authority's credit, which is based upon the State's obligation to pay debt service and subject to annual appropriation, remains strong and its access to the debt markets unaffected. The collapse of the auction rate market had nothing to do whatsoever with the State's or the Authority's credit which remains rated stable by all three ratings agencies. General interest rates outside the auction market are at or near historically low levels. While the auction rate market is no longer functioning, the TTFA can issue fixed rate bonds or other forms of floating rate debt that will continue the ability to finance the transportation program.

Through the Office of Public Finance and in consultation with the Treasurer and the respective Authorities, the State is currently pursuing a restructuring of all of its outstanding appropriation-backed auction rate debt.

Because of volatile market conditions it is difficult to determine with much specificity what the restructuring of the TTFA and NJTRANSIT auction bonds will look like at this time. At the time of the restructuring, the State will attain the most cost-effective financing alternative available. It is expected that the restructuring will occur this spring."

2. The FY2009 recommended budget reduces the number of state employees through an early retirement initiative and layoffs. The ability to hire employees to fill these vacant positions will be limited. The impact these personnel actions may have on the department's programs and services is not clear.

- **Question: how many employees are eligible for the early retirement initiative or may be laid off, by division? To the extent that new employees cannot be hired, what services or programs will be reduced or eliminated? How will the**

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reductions affect the department's monitoring and oversight of contracts and its efforts to qualify for and receive maximum federal reimbursements?

Based on the assumptions in the budget for the projected \$135.9 million net ERI savings, 916 of Department staff will be eligible for participation. The savings assumes an overall 50% participation rate that varies by Department. The initial proposal is still under discussion and could be refined in the enabling legislation. Regardless, the Governor has stated that the backfills of participants will be limited to 10% on a Statewide basis.

3. The Transportation Trust Fund explicitly relies on increasing amounts of debt to finance its authorized construction activities. This recommended budget would authorize \$1.6 billion in new projects, with perhaps \$800 million of the \$895 million appropriation to the Fund consumed by debt service. However, credit to facilitate that activity is shrinking rapidly, with tighter lending standards, lower ratings, and higher yields required by lenders.

• **Question:** How will the new market condition impact the TTFA's operating model? Will the TTFA be able to finance planned borrowing as initially projected? What increased costs will be incurred attributable to decreased public bond markets? Does the TTFA foresee continuing to operate on an assumption of constantly increasing debt levels?

With recent large rate cuts by the Federal Reserve, interest rates in the debt markets are near historic lows and the problems of the auction rate market are contained to that specific debt product. The TTFA bonds are very well received in the municipal debt markets. Given the low interest rate environment, the Authority's strong and stable credit, and the large investor base for New Jersey tax-exempt bonds, we do not expect the problems in the credit markets to increase the Authority's borrowing costs above prior projections.

4. Newly recommended language provides revenue from the sale of land and fill materials to certain uses by the DOT.

• **Question:** Please elaborate on the Department's plans and the need for this language. What revenues are expected, and how will they be used?

The language being referred to is a continuation of existing language and not new language. Recently enacted P.L.2007, c.108 (Senate Bill No. 2618) requires the sale of any surplus property to be deposited into a special fund for appropriation in the annual appropriations act for debt payments or capital improvements. However, this statute excludes NJDOT since the Department's statute allows for the exchange or sale of surplus land "for the purpose of acquiring other lands required for highway purposes." To the extent DOT uses the money and earmarks it for the purpose of buying other land, DOT is not subject to the new law. In addition, much of the money DOT uses for acquisition is from FHWA. By U.S. law, that money must be repaid to FHWA, unless FHWA allows DOT to keep it to buy other land. It should also be noted that "Fill" is not surplus real property and therefore not covered by the recently enacted P.L.2007, c. 108. Accordingly, the purpose of this language is to clearly ensure that the proceeds of such sales are directed for highway purposes, as required by DOT and FHWA statutes, and not for the more general P.L. 2007, c.108 purposes.

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In CY 2007, the proceeds from the sale of excess land totaled \$1.889M. In CY 2008 to date, the proceeds from the sale of excess land totals \$395,046. The Department anticipates that proceeds for the year will be \$1M. The projected amount for CY09 is between \$1M and \$1.2M. The Department does not anticipate selling any "fill" in FY 08 or FY09.

5. N.J.S.A. 27:1B-22.2 provides for a review of permitted maintenance spending by the Financial Policy Review Board, certifying that the amount is decreasing from the 2006 level as planned.

Question: What is the amount of planned expenditure on permitted maintenance for FY2007 and FY2008, that will be reported as required on September 1, 2008? What is the planned amount for FY2009? Does the DOT expect to be compliant with current statute for FY2009?

NJDOT does not charge any in-house maintenance or operational costs to the Transportation Trust Fund. However, the Department does fund several line items which are used for issuing contracts that meet the permitted maintenance definition. These line items include bridge deck patching, drainage rehabilitation and maintenance, electrical facilities, the regional action program, and the statewide signs program. The Department allocated \$17.5 million for these permitted maintenance functions in FY 2007 and \$14 million in the current year (FY 2008), The proposed FY 2009 program, as it stands today, allocates \$12.75 million.

In addition, NJ TRANSIT has the same permissible use of Trust Fund monies for certain maintenance purposes. The TTF is primarily programmed for eligible Bus and Rail capital maintenance parts/materials and labor. The chart below displays budgeted expenditures by the Department and NJ Transit for the FY 2007, 2008, and 2009 capital programs. As illustrated, the planned FY 2009 level of permitted maintenance is less than the FY 2007 baseline level:

Description	FY 2007 Program Budgeted Expenditures	FY 2008 Program Budgeted Expenditures	FY 2009 Program Budgeted Expenditures
NJDOT Bridge Deck Patching Program	5.000M	5.000M	5.000M
NJDOT Rehabilitation and Maintenance	3.000M	3.000	3.000M
Electrical Facilities (Repair, replacement, installation)	1.500M	1.5000	1.750M
Regional Action Program	3.000M	2.000M	1.000M
Signs Program, Statewide	5.090M	2.500M	2.000M
NJDOT Subtotal	17.500M	14.000M	12.750M
NJ Transit Capitalized Maintenance	97.500M	97.500M	98.800M
NJ Transit Facility Lease	5.700M	5.700M	4.400M

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Description	FY 2007 Program Budgeted Expenditures	FY 2008 Program Budgeted Expenditures	FY 2009 Program Budgeted Expenditures
NJ Transit Subtotal	103.200M	103.200M	103.200M
Total	\$120.700M	\$117.200M	\$115.950M

- **Question:** When will the Financial Policy Review Board be fully staffed and functioning as intended by law?

The Board is comprised of 5 public members with experience in transportation finance and policy. The Governor appoints 3 of the members with the advice and consent of the Senate. The remaining members are appointed by the Governor as follows: one upon the joint recommendation of the Senate President and the Minority Leader of the Senate, and the other upon the joint recommendation of the Assembly Speaker and the Minority Leader of the Assembly. The Board is deemed to be constituted immediately upon appointment and qualification of at least three members. To date appointments are as follows:

Member	Statutory Appointment
Mr. Martin E. Robins	Public Member 1
Mayor Jordan Glatt	Public Member 2
VACANT	Assembly Recommendation
VACANT	Public Member 3
VACANT	Senate Recommendation

The third public member appointment was ready to be made when the person withdrew them self from consideration. Also, the member to be recommended by the Senate subsequently moved out of state.

Motor Vehicle Commission

6. Since the implementation of the "Motor Vehicle Security and Customer Service Act" in 2003, it has become clear that the dedicated revenues of the MVC will become insufficient for the agency's ongoing needs. In response to last year's inquiry on this topic, the Commission responded that "funding will be stable through 2010 based on our current operating assumptions and expenses." However, the Commission did not provide the requested projection for out-year operating budgets at current service levels and revenue projections. Additionally, the FY2007 Annual Report indicates that the MVC is rapidly eroding its operating surplus. The MVC projects a gap between current revenues and operating expenses of about \$22.9 million in FY2008 and \$18.9 million in FY2009, and indicates that these deficits will be covered by drawing down the commission's accumulated surplus. At the current rate of draw-down, the surplus will be exhausted before the end of FY2012.

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- **Question:** Does the Report's projected revenues for FY2009 take account of the transfer of \$14.9 million in fee revenue under budget language on page D-390 or the appropriation of Commercial Vehicle Enforcement Fund balances (\$5.15 million) through budget language on page D-395? If not, please submit a revised FY2009 budget that is consistent with the Governor's recommended budget.

No, MVC continues to manage its resources in a prudent fashion in order to fund its current operations and maintain support for its new initiatives. The revenue projections for the Annual Report, which were prepared in September, are consistent with the revenue projections submitted to the Office of Management and Budget in preparation for the FY 2009 Budget. The proposed FY 2009 Budget for the Commission has been revised to reflect the \$20 million in cuts.

- **Question:** Please explain the transfers of MVC revenues to other agencies. What services or accommodations will the MVC receive in exchange for these revenue transfers that it is not now receiving?

Proposed language in the FY2009 Budget will divert funds to the Interdepartmental property rental and household and security accounts, Division of Revenue, Division of State Police, and the Department of Environmental Protection's Bureau of Forestry for the Forest Fire Fighting Program. In addition, MVC will pay hearing services for the Commission to the Office of Administrative law for hearing services.

- **Question:** Assuming the FY 2009 budget is enacted as proposed, please provide annual projections for operating budgets at current service levels and revenue projections assuming no fee increases or revenue diversions, for the fiscal years 2010-2013.

Based on current assumptions, MVC operates in a structural deficit which requires the continued use of our surplus which will be depleted in FY 2010.

- **Question:** At what year will the MVC project an operating deficit? What is the amount of that projected deficit?

As shown in the 2007 MVC Annual Report, the Commission is currently drawing down its carryforward to fund operating and capital expenses. At the present time, MVC is anticipating an operating deficit in FY 2010.

- **Question:** What steps, if any, will the MVC take to bring its spending requirements and its projected revenues into balance? Do those steps include increasing fees and surcharges by regulation as authorized under section 16 of P.L.2007, c.335 (C.39:2A- 36.1)? If so, which fees or surcharges will be increased, by how much and what timetable? What is the total increase in revenue projected to result from such fee or surcharge increases?

MVC will continue to support its critical core mission and has developed several fiscally responsible savings initiatives for FY 2009.

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While our full-time equivalent (FTE) has been reduced by 75 positions, MVC was able to recently open a new agency in Paterson without the hiring of any additional staff. In addition, efficiencies include the elimination of our Mobile Unit and Tiger Team, centralizing our secretarial and testing functions, and consolidating agencies. Other efficiencies include lengthening the time for the replacement of vehicles and computer equipment, eliminating leases and closure of MVC facilities, reducing our reliance on our consultant for communications projects, and overall reductions in travel and other miscellaneous expenditures.

MVC is also giving consideration to eliminating our late night services at our field agencies and reducing hours for part-time staff to 50%. This business decision will result in savings for salaries and fringe benefits.

MVC will confront significant fiscal challenges in the future especially when confronted with the requirements of the federal Real ID Act. Remaining cognizant of the fact that the current fee structure is outdated and some fees have not been adjusted for over 80 years, the Commission has developed a blueprint for establishing criteria to effectuate future fee increases.

A specific timeline for the increase of any outdated fees has not been established but our first step will be to determine and cover the cost of our critical core mission activities. Any actions of this nature will require approval by MVC's Board.

- **Question:** Does the Commission's strategic planning rely on an assumption of constant growth in costs and revenue?

The MVC participates in an annual strategic planning process that develops future plans that are consistent with revenue projections. It is anticipated that this annual process will continue and will focus on continued progress resulting in a balanced, fiscally responsible budget.

- **Question:** The proposed budget alters the intended funding of MVC with language that directs proportional revenue of the commission to be used as revenue of the DOT. Is this a reversal of the intent of current statute providing proportionate, dedicated revenue to the MVC? Will this action exacerbate the MVC structural deficit? What actions will the commission take as a result?

MVC and OMB have agreed on the interpretation of the language regarding the Commercial Vehicle Enforcement Fund (CVEF). This language redirects the balances in the dedicated fund to the DOT for roadway maintenance and operations and does not affect MVC's proportional share of revenues.

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7. The recommended budget increases the General Fund subsidy to NJ Transit by \$60 million, but notes in the Budget-In-Brief that this is a reduction of \$40 million from a planned increase.

- **Question:** What revisions to NJ Transit's proposed FY2009 operating and capital budget resulted from a \$60 million, rather than \$100 million subsidy increase? Were programs deferred, or alternative revenue sources identified? Please provide details.

NJ TRANSIT'S original FY2009 budget request included \$100 million in added State funding as follows:

Amount	
\$ 49.2m	- Inflation of 3% on Core Expenses
34.0m	- Bus/Rail/Light Rail Service Growth
22.6m	- Loss of Non-Recurring Revenue
19.5m	- Extraordinary Growth Above 3%
\$ 125.3m	- Subtotal
<i>Less:</i>	
(25.3m)	- Increased Passenger & Other Revenue
\$ 100.0m	- Original Budget Growth

To achieve the current FY2009 funding recommendation of \$358.2 million in operating assistance, NJ TRANSIT will substantially reduce administrative expenses by nearly 20%, generate additional non-fare revenue from the private sector, and strategically manage service growth in response to demand.

Despite a projected fifth year of consecutive record ridership growth, NJ TRANSIT will achieve no net service growth through strategic redeployment of existing equipment and personnel. Using a business model that continually evaluates low ridership, low cost recovery services, TRANSIT is meeting service demand requirements by adjusting service frequencies and route patterns to serve the greatest number of customers, while continuing to protect all destinations for transit dependent customers.

In addition, approximately \$2.0 million in non-passenger revenue is anticipated through commercial revenue enhancements including leveraged leases, billboards, and excess property sales in addition to historical annual projected growth in passenger and other revenue.

8. NJ Transit has noted for several years that fuel cost increases continue to outstrip available revenues. With increased oil and petroleum products costs, and net declining real production, this trend is likely to accelerate for the foreseeable future.

- **Question:** How will NJ Transit alter its business model to a paradigm of rapidly increasing fuel costs, or (more significantly) net declines in fuel supply? At what fuel cost will NJ Transit experience difficulty maintaining service levels? Has NJ Transit considered transitioning to a non-petroleum, or reduced petroleum

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mode of transportation? What alternative energy modes are best practice in this industry, and how will compare with its peers in adopting them?

Diesel fuel costs have grown from \$51.5 million in FY2005 to \$102.6 million projected for FY2008, almost a 100% increase. The impact of a volatile fuel market on NJ TRANSIT'S operating budget is a significant factor when considering service related business decisions. Since NJ TRANSIT uses over 36 million gallons of diesel fuel per year (two-thirds bus operations/ one-third rail operations), a one-cent increase in the price of a gallon of diesel fuel costs NJ TRANSIT \$360,000 annually.

To mitigate these cost increases, NJ TRANSIT has, effective March 2008, changed grades of ultra-low sulfur diesel fuel for Bus operations, which could save \$.10 a gallon. With this change, NJ TRANSIT is also considering locking in fuel costs through FY 2009, which could further reduce costs. Finally, NJ TRANSIT is using electric heaters on trains - rather than allowing them to sit at idle. This action will reduce diesel fuel consumption by over 250,000 gallons per year. Although little if any budgetary savings will accrue as a result of this shift due to increased electricity costs, it demonstrates NJ TRANSIT'S vigilance in identifying methods to reduce fuel consumption.

To reduce its energy needs NJ TRANSIT has instituted an energy management program geared toward both "demand-side" and "supply-side" management. Demand-side management includes the use of energy-efficient operating practices, energy-efficient bus and rail vehicles, energy-efficient appliances and energy-efficient design of facilities. Supply-side management includes competitive purchase of electricity and natural gas intervention before the New Jersey Board of Public Utilities in utility ratemaking to seek lower rates.

Several examples of this program geared towards alternatives to diesel powered rolling stock are the use of:

- Compressed Natural Gas (CNG) – NJ TRANSIT Bus Operations maintains a fleet of 76 CNG buses. Experience has shown that this fleet is more costly than the conventional diesel fleet due to initial capital requirements such as facility and infrastructure upgrades required for storing, distributing, and maintaining this type of fuel technology. NJ TRANSIT continues to monitor this technology for efficiencies.
- Hybrid Vehicles – NJ TRANSIT has a small fleet of 7 hybrid buses and 21 non-revenue hybrid vehicles that are being evaluated to determine their operational efficiencies.
- Biodiesel Fuel Technology – NJ TRANSIT is examining the feasibility of using biodiesel mixtures in existing locomotives through a test program in partnership with Rowan University. This program will test a new injector for fuel economy on a GP40 locomotive on the Atlantic City rail line. If the test is successful, and NJ TRANSIT is able to work through warranty issues with the equipment the potential fuel savings for this initiative is estimated at one to two percent.
- Electric Railcars and Locomotives – NJ TRANSIT operates a fleet of electric railcars and locomotives on the majority of its rail lines and is in the process of purchasing dual-powered locomotives that will be able to switch from diesel to electric power when electrification is available.

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Finally, it should be mentioned that NJ TRANSIT will create one of the largest solar-power installations in the state and produce clean, renewable-source electricity to power a portion of its Meadowlands Maintenance Complex thereby further reducing its energy needs. It is estimated that this solar power system will reduce utility bills by \$90,000 per year with no need for up-front capital funding since it will be financed with a \$1.57 million New Jersey Board of Public Utilities rebate.

9. The financial statements of NJ Transit indicate that the corporation is exposed to interest rate swap agreements, and holds securities that are not marked to current market value.

• **Question:** What is NJ Transit's exposure to the auction rate market? What excess interest costs have been incurred attributable to the collapse of that market?

NJ Transit has one auction rate issue, a 2003 \$360,875,000 NJ Economic Development Authority issue for the River Line.

This issue includes seven separate series, bid every 7 days (5 series) or 35 days (2 Series). On a failed auction, NJ Transit pays a default rate calculated as 175 per cent of the current LIBOR rate. As of March 20, NJ Transit's current interest rate was capped at 4.56 per cent.

It is estimated that for FY2008, NJ Transit's interest cost will increase by approximately \$3 million due to the failure of the auction rate market.

• **Question:** Does NJ Transit hold any mortgage-backed or collateralized debt securities as investments in any way? Have these been appropriately revalued to reflect current market values? If the ratings on those securities is downgraded, how will investments be impacted or revalued? What is the total loss incurred by NJ Transit assets if these securities are marked down to current market value?

NJ TRANSIT does not directly hold these types of securities. However, while new non-agreement employees are now covered under a defined contribution plan, NJ TRANSIT administers several defined benefit pension plans covering the majority of its employees. These pension portfolios include both equity and fixed income positions. The fixed income portfolios would include mortgage-backed or collateralized debt securities.

All pension asset portfolios are marked-to-market monthly. Using current marked-to-market valuations, total fixed income portfolios have increased from \$346 million to \$371 million for the twelve months ending January 31, 2008, an increase of 7.2%.

10. The recommended budget for FY2008 proposed that authorized projects of the Transportation Trust Fund Authority for Public Transportation capital projects were to total \$675 million. However, the Appropriations Act as approved provided only \$625 million, \$50 million less than initially recommended. The FY2009 recommended budget maintains that amount of new project spending, \$625 million. Also for FY2009, there is proposed an increase to NJ Transit's operating budget subsidy of \$60 million.

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- **Question:** Which projects were removed from the recommended budget to obtain that \$50 million decrease for FY2008? What was the impact on NJ Transit's activities as a result of that shift?

No projects were removed from the NJ TRANSIT capital program as a result of the \$50 million reduction in TTF funds since NJ TRANSIT is to receive an additional \$50 million in federal funds in FY2009 to offset this reduction.

In May 2007, the North Jersey Transportation Planning Authority (NJTPA) approved the "flexing" of \$1 billion of Federal Highway Administration (FHWA) funds to the Access to the Region's Core (ARC) trans-Hudson Tunnel project over 10 years. This is allowable under the SAFETEA-LU federal authorization provided that the local Metropolitan Planning Organization (MPO) approves the flexing.

Because NJ TRANSIT is receiving an additional \$1 billion in FHWA funds for the ARC project, \$1 billion in state funds is being reallocated from NJ TRANSIT to DOT over the same 10-year period. This will allow the ARC project to continue using federal funds and free \$1 billion of highway projects from federal regulations. In FY2009, NJ TRANSIT will begin receiving \$50 million of federal funds from the \$1 billion flex. Therefore, NJ TRANSIT's TTF allocation was reduced by \$50 million from \$675 million to \$625 million in FY2009 with no projects being removed from the program. In essence, the funding source is simply being changed from state to federal on the ARC project.

- **Question:** What amount of the \$625 million capital project authorization will be used on operating expenses, both for FY2008 and FY2009?

The amount of capital funding from the Transportation Trust Fund (TTF) used to support eligible costs within NJ TRANSIT'S operating budget is not planned to increase over the fiscal 2008 level of \$103.2 million.

- **Question:** If the \$50 million that was removed in FY2008 were restored for FY2009, would NJ Transit still require a \$60 million operating subsidy increase?

Yes, the \$60 million is still needed in FY2009 since the additional \$50 million in TTF funding would be for capital projects.

NJ Turnpike Authority

12. The New Jersey Turnpike Authority website claims that 53% of toll revenue is derived from out of state traffic. An earlier version of that page stated that activity as 35% of traffic.

- **Question:** Please provide the traffic study that produced that estimate. How was such a large change explained? What changed in the NJTA business model to result in the alteration of the user demographics?

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Estimates of out of state traffic on the NJ Turnpike and the Garden State Parkway were derived from our E-Z Pass system data. The New Jersey Turnpike Authority is a member of the Interagency Group (IAG) which is a consortium of 23 toll agencies that uses the E-ZPass system to electronically collect tolls. Member agencies include customers from the agency's home state as well as customers from other states. Collection of toll funds is accomplished by a reciprocity agreement that is signed by each agency as it becomes an IAG member. This reciprocity agreement covers the exchange of funds and enables us to identify the agency that issued each transponder used on either the NJ Turnpike or the Garden State Parkway.

NJ Turnpike

In 2006, the Turnpike generated \$533 million in revenue. Of that amount, 66 percent, or \$355 million, was collected electronically. More than \$187 million, or 53 percent, of this toll revenue was generated by out of state customers. 53 percent of the electronic toll revenues collected on the New Jersey Turnpike in 2006 came from E-ZPass customers who are not part of the New Jersey E-ZPass system.

While commercial and business vehicles registered in New Jersey's E-ZPass system provide some E-ZPass revenue to the Turnpike, their contribution is significantly less than the revenue generated by business and commercial vehicles in the New York E-ZPass system. New Jersey E-ZPass commercial and business customers provide 28 percent of the commercial and business electronic toll revenues, while the New York E-ZPass system provides approximately 60 percent of commercial/business electronic toll revenues.

Although some New Jersey residents are registered for E-ZPass through the New York system, the New Jersey E-ZPass system is comprised of substantially more out of state residents. The Turnpike Authority's analysis shows that approximately 350,000 New Jersey residents are registered in the New York E-ZPass system; this number is considerably less than the 490,000 out of state residents who are registered in the New Jersey E-ZPass system.

Even when one combines the number of New Jersey residents who are registered in the New York system with the number of New Jersey residents who are part of the New Jersey system, the Turnpike Authority estimates that total electronic toll revenue from non-New Jersey residents is still at least 51 percent.

Based on information from the MTA Bridges and Tunnels (MTABT), Port Authority of New York and New Jersey (PANYNJ), and the New York State Thruway Authority (NYSTA), slightly more than 49 percent of electronic toll revenue on the Turnpike comes from New Jersey residents who are part of either the New Jersey and New York E-ZPass systems. This estimate is based on the following assumptions:

- 1) In 2006, the Turnpike received \$157 million from the three New York E-ZPass agencies.
- 2) We estimate that the breakdown by agency is:

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Agency	\$ in Millions
MTABT	61.7
PANYNJ	60.6
NYSTA	35.0
Total	157.3

3) The allocation of the funds in #2 above to New Jersey residents is based on the percentage of New Jersey residents of the total customer database for each agency. These percentages are as follows:

Description	%	Comment
MTABT	1.94%	33,000 NJ residents out of a base of 1.7 million
PANYNJ	67.17%	(284,802 NJ residents out of a base of 424,000
NYSTA	2.81%	(29,818 NJ residents out of a base of 1.06 million)

4) The New York revenue allocation to NJ residents is:

Description	Millions of \$
MTABT	1.2
PANYNJ	40.7
NYSTA	1.0
Total	42.9

5) The allocation of New Jersey residents holding New Jersey EZ Pass and New York EZ Pass is as follows:

Description	Millions of \$
New Jersey Residents-New Jersey EZ Pass	132.4
New Jersey Residents-New York EZ Pass	42.8
Total NJ Residents Holding Either New Jersey or New York EZ Pass	175.5

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Total ETC Revenue in 2006: \$354.5 million

New Jersey Residents as a percentage of total ETC Revenue: 49.4% on the NJ Turnpike

Garden State Parkway

In 2006, the Garden State Parkway generated \$204 million in revenue. Of that amount, 66 percent, or \$134 million, was collected electronically. More than \$44 million, or 33 percent, of this toll revenue was generated by out of state customers. 33 percent of the electronic toll revenues collected on the Parkway in 2006 came from E-ZPass customers who are not part of the New Jersey E-ZPass system.

Although some New Jersey residents are registered for E-ZPass through the New York system, the New Jersey E-ZPass system is comprised of substantially more out of state residents. The Turnpike Authority's analysis shows that approximately 350,000 New Jersey residents are registered in the New York E-ZPass system; this number is considerably less than the 490,000 out of state residents who are registered in the New Jersey E-ZPass system.

Even when one combines the number of New Jersey residents who are registered in the New York system with the number of New Jersey residents who are part of the New Jersey system, the Turnpike Authority estimates that total electronic toll revenue on the Parkway from non-New Jersey residents is almost 26 percent.

Based on information from the MTA Bridges and Tunnels (MTABT), Port Authority of New York and New Jersey (PANYNJ), and the New York State Thruway Authority (NYSTA), we estimate that slightly more than 74 percent of electronic toll revenue on the Parkway comes from New Jersey residents who are part of the New Jersey and New York E-ZPass systems. This estimate is based on the following assumptions:

- 1) In 2006, the Parkway received \$41 million from the three New York E-ZPass agencies.
- 2) We estimate the breakdown by agency is:

Agency	\$ in Millions
MTABT	16.0
PANYNJ	15.8
NYSTA	9.1
Total	40.9

- 3) The allocation of the funds in #2 above to New Jersey residents is based on the percentage of New Jersey residents of the total customer database for each agency. These percentages are as follows:

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Description	%	Comment
MTABT	1.94%	33,000 NJ residents out of a base of 1.7 million
PANYNJ	67.17%	(284,802 NJ residents out of a base of 424,000
NYSTA	2.81%	(29,818 NJ residents out of a base of 1.06 million)

4) The New York revenue allocation to NJ residents is:

Description	Millions of \$
MTABT	.3
PANYNJ	10.6
NYSTA	.3
Total	11.2

5) The allocation of New Jersey residents holding New Jersey EZ Pass and New York EZ Pass is as follows:

Description	Millions of \$
New Jersey Residents-New Jersey EZ Pass	88.3
New Jersey Residents-New York EZ Pass	11.2
Total NJ Residents Holding Either New Jersey or New York EZ Pass	99.5

Total ETC Revenue in 2006: \$134.3 million

New Jersey Residents as a percentage of total ETC Revenue: 74.1% on the GSP

13. The New Jersey Economic Development Authority has recently taken action to eliminate exposure to the auction rate bond market, which has rapidly collapsed. Current holders of these securities are exposed to increasingly high interest costs.

- **Question:** What exposure to the Auction Rate market does the NJTA currently have? What excess interest costs have been incurred attributable to the collapse of that market?

NJTA has \$800,000,000 of outstanding debt in auction rate mode as follows:

Amount	Insurer	Description
\$400,000,000	MBIA	Series 2000 B-G
\$225,000,000	FSA Insured	Series 2003 D-1, 2,5,6,9
\$175,000,000	XL Insured	Series 2003 D-3,4,7,8

As a result of turmoil in the auction rate markets the auctions for these securities have failed in recent repricings and as a result the interest rate has been set at the maximum formula which is 175% of 1 month LIBOR. Recently these rates have been as high as

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5.5% but last week generally dropped to about 4.85%. (Each series has a different date for rate setting so rates vary.)

Each of these bonds is subject to a swap and the net cost to the NJTA is the difference between the bond rate and the swap receipt rate from the counterparty. This differential has been as high as 300 basis points (3.00%) and is currently approximately 2.3% on the Series 2003 bonds and about 1.0% on the Series 2000 bonds. The difference is related to the type of swap.

NJTA has initiated a proactive effort to remediate this situation and is in the process of converting all of the FSA Insured 2003 bonds to a Variable Rate Demand mode which requires the addition of a Bank Liquidity Facility that allows investors to put the bonds back to the bank every 7 days upon repricing. NJTA currently has \$871 million of Variable Rate Demand Bonds outstanding that are performing well in the market. NJTA expects these bonds to be remediated before the middle of May 2008. Timing of repricing dates prevents an earlier solution.

Additionally NJTA is in the process of issuing a one year note to pay off the XL insured bonds since the value of their insurance is no longer marketable. At the end of one year NJTA will determine future financing either in fixed rate or variable rate modes. NJTA expects these bonds to be remediated before the end of April 2008.

As to the \$400 million MBIA insured bonds the loss impact is much smaller and has been narrowing. It is likely that MBIA will resume credibility in the near term and NJTA did not wish to waste the insurance premium paid for these bonds. Therefore we have instituted an active negotiation and monitoring program while considering other remediation alternatives. It is possible that a conversion on these bonds could occur in the future.

Mitigation of the \$400 million of Series 2003D bonds will save the NJTA over \$800,000 per month versus recent pricing of the Auction Rate Securities.

Question: Does the NJTA hold any mortgage-backed or collateralized debt securities as investments in any way? Have these been appropriately revalued to reflect current market values? If the ratings on those securities is downgraded, how with NJTA investments be impacted or revalued? What is the total loss incurred by NJTA investments if these securities are marked down to current market value?

The NJTA does not hold any mortgage-backed or collateralized debt securities as investments.