May 7, 2014

The Honorable Gary S. Schaer  
Chairman, Assembly Budget Committee  
State House Annex  
PO Box 068  
Trenton, NJ 08638-0068

Dear Chairman Schaer:

It was a pleasure to testify before your committee on April 28, 2014, regarding the FY 2015 budget of the New Jersey Department of Transportation and NJ Transit. I hope that my testimony and responses to questions raised were helpful in understanding the programmatic and financial challenges we face in the upcoming year.

I am attaching responses to the follow-up questions that were listed in your April 30, 2014, letter. Feel free to contact me if you have any other questions or concerns.

Sincerely,

James S. Simpson  
Commissioner

Enclosure

c: David J. Rosen, Legislative Budget and Finance Office  
Charlene Holzbour, Office of Management and Budget  
Aaron Binder, Assembly Democratic Office  
Jerry Traino, Assembly Republican Office  
Patrick Brennan, Office of Legislative Services
Assembly Budget Committee questions

Assemblyman Schaefer:

Question
Please provide a breakdown of the $1.8 billion in funding being provided by the Port authority of New York and New Jersey for the construction of the Pulaski Skyway, Wittppenn Bridge, and New Road projects, showing the amount of that funding that has, and will be, supported through the issuance of debt and the amount to be supported by the non-debt revenues of the Port Authority of New York and New Jersey.

Response
In an agreement that was originally signed in July, 2011, the Port Authority of New York and New Jersey agreed to provide a total of $1.8 billion to NJDOT for capital improvements to the Pulaski Skyway, Wittppenn Bridge/Route 7, and New Road projects. The latest quarterly financial update (i.e., January, 2014) allocated these funds in the following manner:

- $1,083,356,347 Pulaski Skyway
- $588,160,132 Wittppenn Bridge/Route 7
- $128,483,521 New Road
- $1,800,000,000 Total

The Port Authority’s capital plan is typically funded from a mixture of pay-as-you-go revenue and debt. NJDOT is not privy to the financial records of the Port Authority, and thus cannot specifically identify what portion of the project funding noted above was derived from pay-as-you-go sources versus debt issuance. That said, the Port Authority’s 2014-2023 capital plan has a goal of financing 60% reserves and 40% debt over the ten-year period, though that split fluctuates in any given year.

Assemblyman Singleton:

Question
Please provide detail on the amount of Transportation Trust fund debt issued under the administrations of Governor Christie and Governor Corzine. Please identify:
The total amount of debt issued while each Governor was in office, both the par value of bonds and the total debt-related sources of funding such as bond premiums;
The amount of pay-as-you-go funding provided under each Governor per year;
The percentage of new program spending each year that was supported from debt-based sources of funding.
Response

**TTFA Bond Issuances**

<table>
<thead>
<tr>
<th></th>
<th>Current Interest Bonds</th>
<th>Capital Appreciation Bonds</th>
<th>Total Bonds Issued</th>
<th>Premium</th>
<th>Pay-As-You-Go**</th>
<th>TTF Program Authorization</th>
<th>TTF Cash Expenses</th>
<th>Bonds as % of Cash Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY06****</td>
<td>$ 953.0</td>
<td>$ 1,115.5</td>
<td>$ 2,068.5</td>
<td>$ 47.0</td>
<td>$ 206.9</td>
<td>$ 1,205.0</td>
<td>$ 1,369</td>
<td>151%</td>
</tr>
<tr>
<td>FY07</td>
<td>$ 1,171.0</td>
<td>$ -</td>
<td>$ 1,171.0</td>
<td>$ 20.5</td>
<td>$ 238.3</td>
<td>$ 1,600.0</td>
<td>$ 1,441</td>
<td>0%</td>
</tr>
<tr>
<td>FY08</td>
<td>$ 1,146.2</td>
<td>$ 392.7</td>
<td>$ 1,538.9</td>
<td>$ -</td>
<td>$ 81.7</td>
<td>$ 1,600.0</td>
<td>$ 1,429</td>
<td>82%</td>
</tr>
<tr>
<td>FY09</td>
<td>$ 797.5</td>
<td>$ 359.3</td>
<td>$ 1,156.8</td>
<td>$ -</td>
<td>$ 19.3</td>
<td>$ 1,600.0</td>
<td>$ 1,497</td>
<td>103%</td>
</tr>
<tr>
<td>FY10</td>
<td>$ 1,600.0</td>
<td>$ -</td>
<td>$ 1,600.0</td>
<td>$ 10.1</td>
<td>$ 23.4</td>
<td>$ 1,600.0</td>
<td>$ 1,725</td>
<td>67%</td>
</tr>
<tr>
<td>FY11</td>
<td>$ 1,315.0</td>
<td>$ -</td>
<td>$ 1,315.0</td>
<td>$ 45.9</td>
<td>$ 55.4</td>
<td>$ 1,247.0</td>
<td>$ 1,169</td>
<td>112%</td>
</tr>
<tr>
<td>FY12****</td>
<td>$ 1,247.0</td>
<td>$ -</td>
<td>$ 1,247.0</td>
<td>$ 196.5</td>
<td>$ 1.4</td>
<td>$ 1,247.0</td>
<td>$ 1,393</td>
<td>90%</td>
</tr>
<tr>
<td>FY14</td>
<td>$ 849.2</td>
<td>$ -</td>
<td>$ 849.2</td>
<td>$ 14.8</td>
<td>$ 0.3</td>
<td>$ 1,224.0</td>
<td>$ 1,319</td>
<td>64%</td>
</tr>
<tr>
<td>Total</td>
<td>$ 9,078.9</td>
<td>$ 1,867.5</td>
<td>$ 10,946.4</td>
<td>$ 334.8</td>
<td>$ 791.1</td>
<td>$ 12,923.0</td>
<td>$ 12,873.0</td>
<td>85%</td>
</tr>
</tbody>
</table>

* Net bond premiums on new money deals, after cost of issuance. (Bond premiums associated with bond refundings are excluded.)

** Pay as you go amounts include interest earnings and reflect the impact of lapses.

*** In FY2006 (TTF Reauthorization IV), the maximum term of TTFA bonds was extended from 21 years to 31 years.

Federal GARVEE bond of $131m issued in FY06 is not reflected as debt service is paid with federal funds.

**** Beginning in FY12, the Port Authority provided the balance of funding for the full $1.6b annual Transportation Capital Plan, and those monies were used to support the Palisades Skyway, Wttppenn Bridge, and New Road projects.

Bond refundings are not reflected in this chart.
Assemblyman Cryan:

Question
If it were ever to be determined that the $1.8 billion Project Management Agreement between the New Jersey Department of Transportation and the Port Authority of New York and New Jersey dated July 29, 2011 and amended May 27, 2013 was an illegal commitment of funding by the Port Authority of New York and New Jersey, and an effort was made to have $1.8 billion returned to the Port Authority, what protections or indemnification are in place to ensure that the State of New Jersey is not harmed by any such finding against the Port Authority of New York and New Jersey concerning this project management agreement?

Response
The rights and duties of the New Jersey Department of Transportation (NJDOT) and the Port Authority of New York and New Jersey (Port Authority) are defined by the agreement (including both the Program Management Agreement of July 29, 2011, and the Amended Program Management Agreement of May 17, 2012). By signing the agreement, the Port Authority stated that it was authorized to represent and bind the Port Authority, and that it had secured the necessary and required approval to do so (July 29, 2011 Agreement, page 35, Section VIII, Subsection 1). The Port Authority further represented in the agreement that it had an opportunity to confer with legal counsel of its own choosing and discussed the terms and obligations of the agreement with legal counsel. Moreover, the Port Authority cannot terminate the agreement without the mutual written consent of both the NJDOT and the Port Authority, as provided in the July 29, 2011 Agreement, page 35, Section VIII, Subsection N. Therefore, the Port Authority cannot avoid its contractual obligations to fund the Lincoln Tunnel Access Program, pursuant to the parties’ agreement.

In addition, regarding the resolution of disputes between the NJDOT and the Port Authority under the agreement, all disagreements under the agreement must be submitted to the Deputy Executive Director of the Port Authority and the Commissioner of the NJDOT for their review and decision, which decision shall be binding upon the parties, as provided in the Amended Program Management Agreement, page 8, Section VIII, Subsection G. That subsection of the agreement further provides that in the event that the Deputy Executive Director of the Port Authority and the Commissioner of the NJDOT disagree, either party may seek all available legal or equitable remedies to the extent permitted by law.

Also, without expressly stating as much, the question implies that a third party could challenge the legality of the agreement between the NJDOT and the Port Authority. To the contrary, the July 29, 2011 Agreement, at page 36, Section VIII, Subsection P, provides that no third party beneficiary rights are created. As a result, the only parties with rights under the agreement are the NJDOT and the Port Authority.
Assemblyman Mukherji:

Question
Please provide a breakdown of pothole repair costs for FY 2014, identifying the number of potholes, the hours spent, and the monetary cost for pothole repairs performed utilizing outside contractors and for the pothole repairs utilizing in-house staff, including any overtime hours incurred by in-house staff.

Response
Year to date, the Department has repaired 237,093 potholes at a total in-house cost of $2.782 M. The cost breakdown is $1.531 M for labor, $0.952 M for materials, and $0.299 M for equipment costs. The labor costs equates to 66,049 hours of straight time and 6,869 hours of overtime. No contractors were used to repair potholes.

Question
Please provide an overview of the department’s mowing program, specifically, the total staff hours dedicated to mowing (1,040,000 was cited as the total amount of in-house staff hours available for all maintenance and operations activity). Also, does the department tract mowed acreage according to the type of area being mowed, such as medians, safety setbacks, non-roadside areas, etc: If so, please provide a breakdown of the total mowed acreage according to those subdivisions.

Response
The Department currently has a reduced mowing policy called “GEMZ” (Grassland Eco Mow Zone). The Department has a total inventory of 13,335 acres to mow which is comprised of 7,870 acres that are always cut each cycle and 5,465 acres subject to the GEMZ program (reduced cut). The GEMZ acres are left in a natural state throughout most of the mowing season. For the current fiscal year, the Department plans to do four mows of the 7,870 acres and two mows of the 5,465 GEMZ acres for a total of 42,410 acres mowed. Based on year to date actual mowing data, we estimate that 6,647 person days will be needed to mow 42,410 acres. The 6,647 person days equates to 53,176 hours. The Department does not track acreage mowed by type of area mowed but does track the work effort expended doing close cut and slope mowing.

Question
Is the State still currently administering the Grassland Eco Mow Zone (GEMZ) Program? Please identify areas of the state covered by the program, an estimate of the reduction in total mowed acreage enabled by this program, and the reduction in mowing costs and maintenance staff labor hours resulting from this program. Also, please identify areas of the State that are not currently a part of the GEMZ program, but could be included. What is the total potential cost savings from implementing the GEMZ program in all eligible areas of the State?

Response
Yes the Department still utilizes the Grassland Eco Mow Zone (GEMZ) Program. As mentioned in the above response, we have a total inventory of 13,335 acres to mow which is comprised of 7,870 normal acres (always cut each cycle) and 5,465 GEMZ acres. The
GEMZ acres are left in a natural state throughout most of the mowing season. Our FY 14 target of 42,410 acres includes four mows of the 7,870 acres and two mows of the 5,465 GEMZ acres. As a result of not doing two mows of the 5,465 GEMZ acres, the estimated cost savings are $350,000 at a cost of $32 per acre. This results in 13,307 staff hours that can be spent on other maintenance activities. In regard to the areas of the State not covered by this program and the potential cost savings if they were included, the 7,870 acres that are mowed on a regular cycle represent areas where the Department believes mowing is still critical, due to safety issues such as driver sight distance or where issues have been raised when mowing has not been done. While the Department continues to consider areas that could be added to the GEMZ program, no additional acreage is anticipated to be added at this time.

Assemblyman Johnson:

Question
Please provide an overview of the application process for the Transit Village Program.

Response
The New Jersey Department of Transportation and NJ Transit spearhead a multi-agency partnership known as the Transit Village Initiative. The Transit Village Initiative creates incentives for municipalities to develop or revitalize the areas around transit facilities using design standards of transit-oriented development (TOD). TOD helps municipalities create attractive, vibrant, pedestrian-friendly neighborhoods where people can live, shop, work, and play without relying on automobiles.

In addition to community revitalization, the Transit Village Initiative seeks to reduce traffic congestion and improve air quality by increasing transit ridership. Studies have shown that adding residential housing options within walking distance of a transit facility; typically a one-half mile radius, increases transit ridership more than any other type of development. Therefore, one of the goals of the Transit Village Initiative is to bring more housing, businesses, and people into the neighborhoods around transit stations.

Only municipalities may apply for New Jersey Transit Village designation. The Transit Village Task Force requires an application be completed and all of the Transit Village Criteria met. Task Force members represent NJDOT, NJ Transit, the NJ Economic Development Authority (EDA), DEP, DCA, the NJ Housing & Mortgage Finance Agency (HMFA), the NJ State Council on the Arts, the Office for Planning Advocacy within the Department of State/Lieutenant Governor’s Office, and the NJ Redevelopment Authority (NJRA).

Applications are accepted anytime after the municipality has attended a pre-application meeting with the Transit Village Coordinator. The Transit Village Task Force will determine if all the criteria have been satisfactorily addressed. They are as follows:

- Attend a pre-application meeting with the Transit Village Coordinator
- Identify existing transit that serves the municipality
• Demonstrate municipal willingness to grow around the transit facility in a transit-supportive manner
• Adopt a TOD (transit oriented development) redevelopment plan and/or TOD zoning ordinance which includes a residential component
  Include transit-supportive site design guidelines
  Include transit-supportive architectural design guidelines
  Include transit-supportive parking regulations
• Identify specific TOD sites and projects
  Document ready-to-go projects
  Include affordable housing in the Transit Village district
• Identify bicycle and pedestrian improvements.
• Identify “Place making” efforts near transit station.
  Establish a management organization
  Identify annual community events and celebrations
  Identify arts, entertainment and cultural events

Transit Village designations are made at the discretion of the Commissioner of the New Jersey Department of Transportation upon the recommendation of the Transit Village Task Force. The number of designations varies each year and may be limited by the capacity of the State of New Jersey to accommodate and support additional Transit Villages. Once designated, a municipality is eligible for technical assistance and priority consideration by agencies that make up the Transit Village Task Force.

Question
What is the timeline for new applications from initial application until designation as an official transit village?

Response
The Transit Village designation process does not have a specific timeline, because the time it takes for each municipality to meet the zoning requirement can vary significantly. If municipalities have to hire a consultant to do the application or go through the process of updating their zoning, it may take months to get the completed application to the Transit Village Task Force for review.

Question
Which municipalities are currently applying for admission into the program from Bergen County?

Response
The Borough of Park Ridge and the City of Hackensack in Bergen County are currently applying for designation. They both have active applications before the Task Force for entry into the Transit Village Initiative at this time.