Discussion Points

New Jersey Transit

A. Recently Enacted Legislation

24. P.L.2017, c.195 requires the NJTA to conduct a study identifying potential options for the construction of a rail station at the Vince Lombardi Park and Ride facility in Ridgefield, Bergen County. The rail station is to provide the facility with service connections to the Main-Bergen County Line and Pascack Valley Line through the use of the New York, Susquehanna and Western Railway right-of-way. The report is required to be completed by August 7, 2018.

- ***Question:*** **Please provide an update on the status of this study. What role if any, does NJ Transit have in the development of this study? Has NJ Transit previously studied this project? If so, what were the conclusions of that study?**

  Answer: Pursuant to P.L. 2017, c. 195, the NJTA is required to conduct this study. NJ TRANSIT has not been engaged in this effort, but will coordinate with the NJTA as a matter of course.

  Previously NJ TRANSIT conducted a study related to a rail station at the Lombardi Park and Ride. It was included in the initial alternatives to be evaluated as part of the West Shore Corridor Major Investment Study, as noted in the study's Final Scoping Document (completed in December 2001). The study included a broad range of options for the introduction of rail or light rail service on lines to provide access to locations such as Hoboken and Secaucus Junction, including the Northern Branch to Tenafly; the West Shore Line to West Nyack, NY with potential further northward extensions (to Haverstraw, NY and beyond); and the New York, Susquehanna and Western to Hawthorne. As the study advanced, the project was refined to focus on two projects: the NYS&W between Hawthorne and Hackensack, and the Northern Branch to Tenafly. Neither of these options included a Lombardi Park and Ride station since neither alignment is near that facility.

B. Staffing

25. In FY 2018, NJ Transit was projected to increase budgeted positions by 599 positions or 5.5% with salary appropriations increasing by $69.4 million. It appears that filled positions increased by 122 or 1.1%.

In FY 2019, NJ Transit is projected to increase budgeted positions by 540 positions, or 4.9%, and salary appropriations are to increase by $61.2 million.

- ***Question:*** **What portion of additional FY 2018 salary funds comprised the cost of additional positions, and what portion was for raises for existing personnel? If filled positions increased by only 122, is it expected that there will be a year-end salary surplus? If so, what is the amount of the surplus?**

  Answer: The FY 2018 position increase totaled $5.5m and $13.9m was for existing negotiated contractual labor increases. NJ TRANSIT does not anticipate a labor surplus at the end of FY 2018.

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- ***Question:*** **Please break down the salaries and wages line item for FY 2019 accounting for the portion of this line item that will account for increased hiring and annual salary changes for existing staff. For both FY 2018 and FY 2019, please detail changes in agency-wide health and pension benefits costs.**

  Answer: For FY 2019 the incremental labor and fringe costs associated with the added 114 positions is $19.1m. Incremental funding is included for the existing Rail labor contracts as well as accruals for the remaining business lines.

  Regarding health benefits cost growth, although the industry average is between 6% and 8%, NJ TRANSIT's costs are projected to increase by a modest 2.9% or $7.5m.

- ***Question:*** **For the projected increase in headcount for FY 2019, how many of those positions were funded in FY 2018? Please provide a breakdown of the new positions to be added for FY 2019.**

  Answer: The Governor's Budget provides new incremental funding to expand the workforce by adding 114 staff in critical areas within: bus, rail, light rail, police operations and strategic administrative support service such as procurement, human resources and civil rights and diversity, none of which were funded in FY 2018.

  The new positions are in the following areas:

Dept.	Increase
Rail	26
Bus	40
Light Rail	4
Police	5
Procurement	17
HR	7
Civil Rights	7
Other	8
Total	***114***

26. When NJ Transit constructed the River Line and the Hudson-Bergen Light Rail, the projects were constructed as a type of public-private partnership known as a Design-Build-Operate-Maintain (DBOM) agreement. A private partner was identified at the start of the project to both operate and maintain the system on behalf of NJ Transit.

- ***Question:*** **Please provide details about the operating agreement for the light rail systems, and specify any performance incentives and cost escalation provisions. What is the annual cost of the operating contract of each system in each year from FY 2014 to FY 2019?**

  Answer: Annual cost to operate each system based on O&M services below as per the existing contract:

Fiscal year	HBLR	RiverLine	Total

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2014	$42,878,146	$23,446,204	$66,324,350
2015	$44,143,438	$26,396,042	$70,539,480
2016	$44,347,646	$21,779,716	$66,127,362
2017	$45,549,753	$20,714,028	$66,263,781
2018 to date (Jan 18)	$27,664,161	$13,405,028	$41,069,189

- ***Question:*** **Does NJ Transit have an estimate of how the operating cost of the light rail systems under this DBOM agreement compares to what the costs would have been if NJ Transit ran both systems using NJ Transit staff? If so, please provide that estimate.**
  Answer: No. There is no comparative estimate.

- ***Question:*** **How do the pay and benefits of employees who work on the light rail system in operating and maintenance roles compare to those of NJ Transit employees in similar roles in commuter rail operations?**

  Answer: The HBLR and RiverLine contracts require the contractors to pay prevailing wage in accordance with state and federal labor laws. The HBLR contract utilizes union labor and pay rates and benefits are collectively bargained by craft. As such, the employee pay rates and benefits for both contracts are comparable with NJ TRANSIT pay rates and benefits for similar positions. However, neither contract requires contractors to provide defined pension benefits to employees.

C. Appropriation Levels and Language

27. The FY 2019 budget proposal for NJ Transit increases the operating subsidy from State funds by $167 million: an increase in the General Fund subsidy by $242 million, less a $75 million decrease in support from NJTA funds. Further offsetting the impact of this increase in assistance is a $28.2 million decline in farebox revenue, and a $42.6 million decrease in other revenues (largely State and federal capital-to-operating transfers), leaving an actual net increase in resources available for NJ Transit operations of $98.1 million (4.4%). NJ Transit's total budget has increased by more than 4% in only two of the five years preceding FY 2019. Below is a table and chart showing the trends in NJ Transit's sources of revenue over the last seven years.

Fiscal Year	State Subsidy	Farebox	Other Commercial	Other	Total Operating	subsidy percent
2019	$593,555	$985,770	$117,500	$619,131	$2,315,956	25.6%
2018	$426,945	$1,013,980	$115,200	$661,731	$2,217,856	19.3%
2017	$426,945	$1,023,200	$115,200	$545,711	$2,111,056	20.2%
2016	$390,245	$1,005,300	$115,200	$604,711	$2,115,456	18.4%
2015	$368,173	$928,650	$113,700	$608,193	$2,018,716	18.2%
2014	$353,373	$920,600	$113,000	$539,200	$1,926,173	18.3%
2013	$329,000	$894,200	$109,800	$565,873	$1,898,873	17.3%

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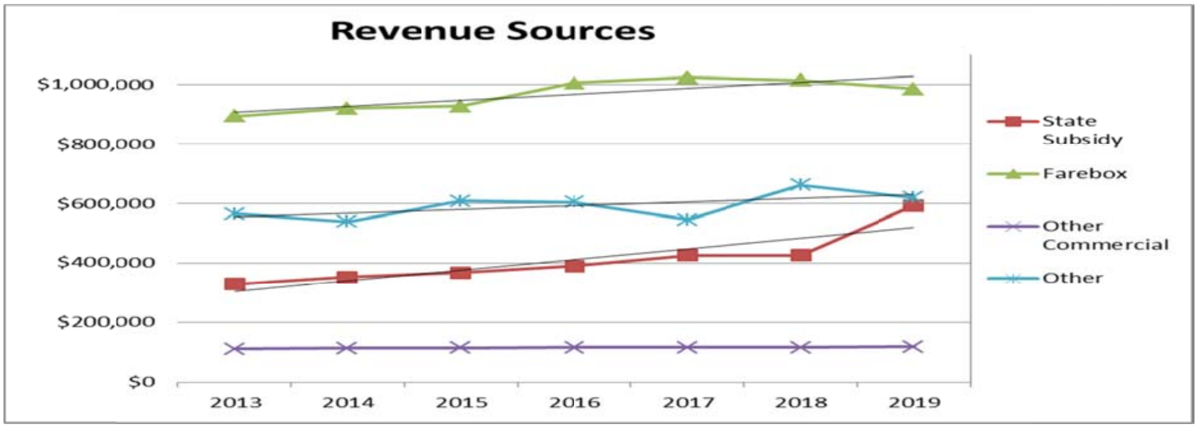

- ***Question:*** **Does NJ Transit set targets for the ratio of fares, State support, or capital-to-operating transfers to the overall budget each year? If not, how is the relative level of funding from each source determined?**

  Answer: Specific target ratios are not set for passenger fares, State support or capital-to-operating funding. However, over the past five years as a portion of the annual budget fares averaged 45%, capital-to-operating funding averaged 22% and State appropriations averaged 18%. Within the Governor's FY 2019 Budget recommendation for NJ TRANSIT, the ratio of fares is 43%, capital-to-operating is under 20% and State funding is at a high of 26%. It must be noted that the significant increase in State funding has reduced the ratios of both the capital-to-operating transfer and passenger fares as a percentage of the budget resulting in NJ TRANSIT being a better value for our customers.

- ***Question:*** **In light of data that shows slow growth in NJ Transit commercial revenue, while costs and revenues in the rest of the business have steadily increased, what efforts could NJ Transit take to increase commercial revenues?**

  Answer: NJ TRANSIT's Real Estate and Economic Development Department maximizes non-farebox revenue via property leases, sales and acquisitions, advertising and joint development of all eligible property and the management of operations at commuter parking location. Currently NJ TRANSIT is pursuing initiatives such as:

  - Renewing expiring leases to ensure continued generation of market value rents.
  - Identifying new properties for leasing.
  - Facilitating adaptive reuse of existing NJ TRANSIT real estate assets, including surface parking lots proximate to existing transit facilities as mixed-use TOD projects, consistent with the State's Transit Village Program which maximizes the value of NJ TRANSIT's real estate assets by generating operating revenue through increased ridership, property sales, and long-term ground leases.
  - Supporting long-term advertising contracts for sponsorship of NJ TRANSIT vehicles and stations.

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- *Question:* **Assuming that having a dedicated source of operating revenue would reduce uncertainty about the annual level of operating support, can NJ Transit leadership identify sources of potential revenue that are best suited to be dedicated for transit operating support based on examples from other systems comparable to NJ Transit?**

  Answer: Around the United States, transit systems have developed a variety of dedicated funding sources, including dedicating a portion of sales, gasoline or real property transfer tax revenues, as well as obtaining public private partnerships and developer contributions. The Chicago Regional Transit Authority, for instance, receives a dedicated revenue stream from both a portion of a regional sales tax and from a real property transfer levy.

  Both Boston's Massachusetts Bay Transportation Authority and the Los Angeles County Metropolitan Transit Authority receive dedicated sales tax revenues to fund transit programs. New York's MTA receives dedicated funding from taxes on petroleum, employer payrolls, mortgage borrowers and lenders, property transactions and mortgage recordings, mostly within the 12-county MTA service region, as well as from a state corporate franchise tax.

  In the Philadelphia region, SEPTA receive dedicated revenue, indexed for inflation, from an oil company franchise tax and surcharges on traffic tickets.

  The suitability of any dedicated funding plan relies upon the policy analysis and support of local, regional and state policy-makers, including elected officials at all levels.

- *Question:* **What impact will a 4.4% operating budget increase have on the "chronic underfunding" the budget asserts NJ Transit suffers from? Does reversal of the underfunding trend require multi-year increases in State subsidies after FY 2019? If so, by how much?**

  Answer: The significant increase in State funding recommended by the Governor in FY2019 will allow NJ TRANSIT to:

  - Replace non-recurring funding and "one-shots" that the former administration used as short sighted alternatives to providing added State appropriations to NJ TRANSIT's operating budget.

  - Correct the structural passenger revenue shortfall caused by the previous administration using unrealistic annual passenger revenue assumptions.

  - Expand the workforce including funding to hire an additional 114 staff in critical areas within bus, rail, light rail, police operations and strategic administrative support services.

  - Fund escalating contracted costs related to private transportation carriers that operate Hudson-Bergen Light Rail, the River LINE and selected contracted bus routes, bus

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facilities maintenance, technological software improvements, and other programs that improve the overall health of the transit system.

Future year funding needs will be dealt with during the annual appropriations process.

28. Following the investigation into NJ Transit by the Senate Legislative Oversight Committee and the Assembly Judiciary Committee, comments by the Governor, and the chairmen of the committees have indicated that NJ Transit requires significant new investment in order to improve a notable decline in the quality of service as measured by on-time performance, breakdowns, cancelled trains, staffing issues, customer satisfaction, and compliance with federal regulations.

Given general Statewide budget pressures and the need for investment in other areas of the State government including education, pensions, healthcare, and property tax relief, it is not clear where existing revenues can be reallocated to notably increase State funding for NJ Transit. Many transit systems have local funding options that allow operations to be supported by local option tax sources in addition to State funding.

In New York City, various transit projects have engaged in unique funding arrangements where private developers make significant capital contributions towards transit expansions in order to increase transit accessibility for their projects, which in turn, notably increases the value of their developments.

- ***Question:*** **As a Statewide entity, are NJ Transit operations organized in a way that would permit local funding to be dedicated to the local area that generated the revenue?**

  Answer: "Local" funding can take different forms, including participation from local governments and private sector parties. For instance, NJ TRANSIT worked with a private developer to construct the new $18 million Westmont Rail Station on the Bergen County Line in Wood-Ridge. That developer's significant contribution to the project reflected the new station's benefit to the developer's large residential complex constructed on what had been an adjacent brownfield site in the municipality. These opportunities cannot be relied upon to provide significant revenue within the annual budget.

- ***Question:*** **How suitable are value capture approaches like the ones used in New York for service expansion projects currently being considered by NJ Transit including the Gateway Program, Hudson-Bergen Light Rail Expansion, Glassboro-Camden Light Rail, Lackawanna Cutoff, Monmouth-Ocean-Middlesex rail line, and the new North Brunswick Station?**

  Answer: Value capture, in which taxation is applied to the value that new transit projects add to nearby real estate, with the tax proceeds going to the transit project/system, often along with a portion to the local governing authority, has proven to be a financially-workable method of helping fund transportation service expansion projects, in places from Hong Kong and London to Denver and San Francisco, in the United States. The methodology is well established for measuring increases in value, so-called "land value increment," due to a specific project.

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The suitability of applying land-based value capture to transit expansion projects in New Jersey is a policy question for the elected representatives of the public, at the municipal, county and state level.

29. Other Reimbursements, one of NJ Transit's income sources (Budget pg. D-368) are projected to decrease from $947.8 million in FY 2018 to $830.2 million in FY 2018. The footnote to this line item states that "Other reimbursements include federal and Transportation Trust Fund reimbursement for transportation system improvements, preventive maintenance, and administrative costs in support of the Department's capital program."

- *Question:* **Please itemize by source and amount the components of NJ Transit's income from Other Reimbursements for FY 2018 and FY 2019, specifically including revenue from the Clean Energy Fund, the NJTA, State and federal capital program sources, as well as any other sources. Please identify the specific capital program line items that contribute to State and federal capital program portion of Other Reimbursements. Does the decrease after accounting for the reduction in NJTA support signify greater investment in capital projects or simply a lower level of resources?**

Answer: The reduction in the non-recurring contribution from the NJTPK was offset by an increase in State appropriations.

Amount – Source
$129.0m – NJTPK Funding
$111.8m – Planning and Expense Reimbursements
$ 82.1m – NJ Clean Energy Fund
$ 21.4m – Capital Program Implementation
$ 17.6m – Casino Revenue Fund for Elderly and Handicapped Transportation Programs
$ 4.1m – Individuals &Corporations Reimbursements
$ 2.2m – Homeland Security Reimbursements
$ 1.2m – Other
$369.4m – Total Other Reimbursements

30. N.J.S.A.27:1B-21 set a limit of 13% for fiscal years 2007 through 2016 on TTFA funds used for salary and overhead, and sets that limit at $208 million per year for FY 2017 and beyond. However, language in the FY 2019 Governor's Budget provides that appropriations from TTFA revenues for salary and overhead costs "shall not be subject to any limitation." In response to FY 2018 OLS discussion points, it was noted that this language has been proposed in recent years so that in-house staff can work on capital-eligible tasks while the original intent of the salary and overhead limitation was to limit charges for program support, rather than constraining capital-eligible functions.

- *Question:* **Please provide the amount expended in FY 2017 and an estimate of FY 2018 and FY 2019 expenditures from capital program appropriations for NJ Transit salary and overhead.**

Answer: NJ TRANSIT charges to the Fiscal Year 2017 program totaled $33.3m, and in FY 2018 and FY 2019 the projection remains flat at $33m.

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- ***Question:*** **Please identify all capital line items which include funding for salary and overhead and the portion of the line item attributable to salary and overhead. Also please distinguish between capital-eligible and program support salary and overhead expenditures in this breakdown.**

  Answer: The below list contains funding for capital eligible functions including salary charges.

Bridge & Tunnel Rehabilitation Total	*$3,780,297*
Bus Acquisition Program Total	*420,426*
Bus Passenger Facilities/Park & Ride Total	*125,481*
Bus Support Facilities & Equipment Total	*20,608*
Capital Program Implementation Total	*14,355,840*
Environmental Compliance Total	*1,076,239*
Immediate Action Program Total	*1,634,570*
Light Rail Infrastructure Improvements Total	*136,669*
Miscellaneous Total	*339,305*
NEC Improvements Total	*45,771*
NJ Transit Raritan River Drawbridge Total	*19,222*
Other Rail Station/Term Improvements Total	*160,899*
Private Carrier Equipment Program Total	*105,081*
Rail Capital Maintenance Total	*68,398*
Rail Support Facilities & Equipment Total	*120,519*
Signals & Comm/Elec Traction System Total	*2,685,547*
Study & Development Total	*672,450*
Technology Improvement & Sys Safety Total	*27,132*
Technology Improvements Total	*180,015*
Track Program Total	*7,365,850*
TOTAL FY17 SALARY CHARGES	***$33,340,318***

31. NJ Transit budget data is provided in agency wide funding categories. The actual operations of the agency are organized according to operating divisions which include rail operations, bus operations, and corporate operations. Within the corporate operations there are light rail operations which are largely paid for through a public private partnership with a private vendor, police operations, and capital operations. The NJ Transit evaluation data for positions (Budget pg. D-367) identifies the amount of employment within these various divisions of the agency.

- ***Question:*** **Please disaggregate NJ Transit appropriations for personal services, materials and supplies, services other than personal, purchased transportation, insurance and claims, and tolls taxes and other expenses, into the following organizational operating units: bus operations, rail operations, light rail operations, police operations, capital operations, and other corporate operations for FY 2017 through FY 2019.**

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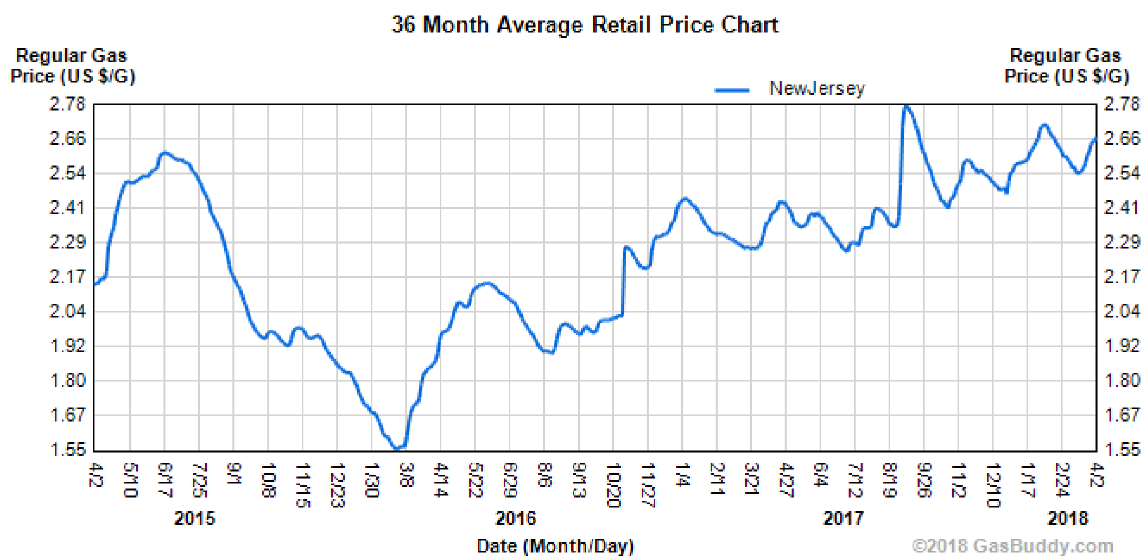
Answer: See attachment 1 – NJ TRANSIT Disaggregated Appropriations

- ***Question:*** **What are the primary drivers of the overall increase in the cost of operations for FY 2018 and FY 2019?**

Answer: For FY 2019 the primary revenue and cost drivers are:

- Replacing non-recurring funding and "one-shots" that the former administration used as short sighted alternatives to providing added State appropriations to NJ TRANSIT's operating budget.
- Correcting the structural passenger revenue shortfall caused by the previous administration using unrealistic annual passenger revenue assumptions.
- Expanding the workforce including funding to hire an additional 114 staff in critical areas within bus, rail, light rail, police operations and strategic administrative support services.
- Funding escalating contracted costs related to private transportation carriers that operate Hudson-Bergen Light Rail, the River LINE and selected contracted bus routes, bus facilities maintenance, technological software improvements, and other programs that improve the overall health of the transit system.

32. In response to FY 2018 discussion points, ridership declines were attributed to cheap gasoline, with a six month lag between price changes and ridership impact (FY 2018 OLS discussion point #24), despite a claim later in the discussion points (FY 2018 #26) that gasoline price elasticities were found to be extremely low. The following table is a 36 month average retail gasoline price chart for the State. Retail gasoline prices have been rising steadily since roughly March of 2016. After allowing for a six month lag, gasoline prices should have had a positive impact on transit ridership for the majority of FY 2017 and FY 2018.



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Further, it was noted that there is a strong employment elasticity of greater than +1.000. Department of Labor and Workforce Development data has shown non-farm payrolls increasing at a rate of approximately 1.0% to 2.0% consistently since before 2015.

Table 4: New Jersey Nonfarm Employment 2017 Benchmark						
Annual Averages						
	Total	Private Sector				Public
Year		Total	Manufacturing	Construction	Service-Providing	
2011	3,847,700	3,226,000	246,900	129,900	2,847,900	621,700
2012	3,890,700	3,271,700	240,900	130,400	2,899,100	619,000
2013	3,935,400	3,316,900	238,700	137,600	2,939,300	618,400
2014	3,967,900	3,347,900	238,800	141,600	2,966,100	620,100
2015	4,012,600	3,397,800	238,800	148,400	3,009,200	614,900
2016	4,073,500	3,459,400	242,100	153,500	3,062,500	614,100
2017	4,127,400	3,512,600	244,600	155,000	3,111,700	614,900

- ***Question:*** **Please discuss the causes of declining ridership over the last two fiscal years.**

  Answer: Overall NJ Transit ridership has declined from 272.7 million passenger trips during fiscal year 2016 to 264.9 million in fiscal year 2017 and 261.0 million for the 12 months ended February 2018. If the trends of the most recent four months continue FY18 would finish at 259.0 million trips, -2.2% below FY17.

  With a statewide system serving multiple transportation markets there are numerous number of factors that underpin ridership trends. Critical to the understanding of rider trends is the recognition that factors influencing trends occur independently of each other, are often in conflict with each other and factors may not affect all markets to the same degree. The impact of any factor may be largely or totally overwhelmed by the impact of another factor.

  It should also be noted that neighboring transit systems, peer systems and industrywide trends largely mirror what NJ Transit has experienced, and reflect the underlying drop in gasoline prices in previous years that has occurred throughout the nation.

  During the period where inflation adjusted gas prices trended between $3.60 and $4.00 per gallon there was a modest +1% increase in combined North Jersey and South Jersey market ridership; since prices have trended below $2.50 there has been an -8% decline in ridership.

  Economic conditions as measured through employment levels are another major factor in rider trends, although these have largely been overwhelmed in recent periods by other factors such as gas prices. With a statewide system the employment trends not only of New Jersey but also of New York City and Philadelphia must be considered.

- ***Question:*** **Based on NJ Transit analysis of the impact of gasoline prices and employment on ridership, how much worse would ridership have declined between September 2016 and the present if not for an increase in the average retail price of**

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gasoline from $1.55 per gallon to the current level of approximately $2.65 per gallon and employment gains of approximately 1.5% per year over the relevant period?

Answer: To clarify, there were 45 consecutive months during FY11-FY15 during which inflation-adjusted regional gas prices averaged $3.50 per gallon or higher and only two months after when they averaged less than $2.00. And in the 23 months since the brief sub-$2.00 period in FY16, prices have exceeded $2.75 in only one month. The date-specific prices cited in the question do not necessarily reflect the true picture that current, former and potential riders see and react to.

Without creating an accurate and rigorous updated regression model there is no way to determine what might have happened to ridership levels under the cited conditions of no recovery in gasoline from its trough, coupled with an economy that saw no employment gains.

D. Agency Activities

33. Executive Order No. 5 orders and directs the Commissioner of Transportation to engage and direct one or more independent consultants to conduct a comprehensive strategic, financial and operational assessment of NJ Transit that will provide insights and recommendations for defining and implementing a new target operating model to create a world-class transportation corporation. The executive order identifies areas for the consultants to investigate, but does not clearly identify the objectives beyond improving customer experience.

- ***Question:*** **Have the consultants for this audit been hired? If so, which firms have been retained and what is the estimated cost of each consultant? Please provide a copy of these consultant contracts. When does the commissioner expect to receive reports with the findings of these consultants To what extent are the consultants also tasked with developing plans for NJ Transit to modernize its operations, become more cost effective, and improve system safety?**

  On January 22, 2018, Governor Philip Murphy entered Executive Order No. 5, which requires the Commissioner of the New Jersey Department of Transportation, to engage and direct one or more independent consultants to conduct a comprehensive strategic, financial and operational assessment of NJ Transit that will provide insights and recommendations for defining and implementing a new target operating model to create a world-class transportation corporation. The Commissioner issued a Request for Proposal on March 1, 2018. The deadline for proposals was Tuesday, March 27, 2018 at 10:00 AM. The Commissioner received four (4) proposals. Once the Department of the Treasury, Division of Purchase and Property reviews and approves the Commissioner's recommendation to award, the contract will be awarded. Pursuant to the terms of the RFP, the contract will be for a period of 180 days. Within 80 calendar days of contract award, the consultant must provide its initial findings. The consultant must provide its Final Recommendations and Action Plan(s) within 100 calendar days of contract award.

34. FY 2017 obligation reports update the progress of FY 2017 capital program expenditures. The reports provide the expenditures of federal funds by Metropolitan Planning Organization (MPO) area as well as Statewide federal programs, the expenditure of State TTF

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funds, and the expenditure by NJ Transit of capital program funds. According to the obligation reports, the State-funded NJ Transit portion of the capital program identifies $2.467 billion in "Auth Amt" against $3.398 billion in "Prog Amt" for FY 2016. These reported levels significantly exceed the annual size of the State-funded portion of NJ Transit's capital program which is roughly $650-$700 million in recent years. This "Prog Amt" represents roughly four years worth of State NJ Transit capital program appropriations.

- ***Question:*** **Please provide a report that identifies when NJ Transit completed capital project line items and expended the funds made available to it for its FY 2017 projects.**

  Answer: See attachment 2 – FY2017 NJ TRANSIT Completed Project Line Item Report.

- ***Question:*** **Please enumerate by State fiscal year the amount of State appropriations included in the NJ Transit obligation reports that comprise the "Auth Amt" category.**

  Answer: See attachment 3 – FY 2016 NJ TRANSIT Obligation Report and attachment 4 – FY2017 NJT Obligation Report.

- ***Question:*** **Please describe exactly what is considered a "Prog Amt" on the obligation report and how that relates to annual expenditures and obligations of State capital appropriations by NJ Transit by fiscal year.**

  Answer: "Prog Amt" is the amount NJ TRANSIT identifies as part of its annual budget. The "Prog Amt" is an estimated amount until the State Budget is approved. The "Auth Amt" is the actual amount appropriated to NJ TRANSIT through the annual State Budget. The obligation of State Capital Appropriations by NJ TRANSIT is performed annually when the State Transportation Trust Funds become available in the State Financial System. Annual Expenditures are the funds NJ TRANSIT draws down from the state financial system to pay expenses.

35. According to NJ Transit's FY 2016 Consolidated Financial Statements, in June 2015 NJ Transit entered into a revolving line of credit agreement in the amount of $300 million. The line of credit was necessary due to cash flow limitations of the TTFA which had previously offered NJ Transit advances on its federal funds eligible for operating support which had served the same purpose as this line of credit. NJ Transit drew on $425 million during FY 2017, and repaid $550 million by the close of FY 2017, leaving a net balance of $75 million. The line of credit expires September 30, 2018. See attachment 4 NJ TRANSIT Obligation Report.

- ***Question:*** **What amount of fees and interest did NJ Transit pay with respect to the revolving line of credit annually in FY 2015 through FY 2018 to date?**

  Answer: The costs associated with the required transition to the cash flow facility in FY 2015 are summarized below:

Fiscal Year		Amount
2015	=	$0.1m

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2016 =	$1.7m
2017 =	$2.0m
2018 =	$3.3m
Total =	**$7.1m**

- *Question:* **What is the differential in financing costs between using the TTF as a borrowing facility and utilizing this line of credit? Will the TTF go back to being the financing instrument to bridge the timing of federal preventative maintenance grant awards once this line of credit expires in September 2018?**

  Answer: There would be no cost to NJ TRANSIT to use the Transportation Trust Fund as a borrowing facility. In October 2017, NJ TRANSIT started the process of renewing the current line of credit.

36. The NJ Transit 2017 Consolidated Financial Statements indicated declines in the value of NJ Transit capital assets (net of depreciation) of over 4% annually from FY 2015 through 2017. Capital assets consist of capital projects in progress, infrastructure, vehicles, stations and other buildings. The annual report also notes total FY 2016 capital contributions of $293.7 million.

- *Question:* **Please discuss the changes in the value of capital assets net of depreciation. What was the value of each capital project that was completed in FY 2017 that comprises the $293.7 million in capital contributions?**

  Answer: Capital assets are normally affected by depreciation and retirements. However, because NJ TRANSIT revenue vehicles remain in service past their accounting life, capital assets values will artificially drop as they become fully depreciated.

- *Question:* **For any revenue vehicles removed from the fleet in each of the last three years either due to sale, retirement, or damage, how much value of those assets had yet to be depreciated? For any revenue vehicles sold, was the sale price greater or the capital value net of depreciation? *Finance – Alan Wohl***

  Answer: See attachment 5 – Revenue Vehicles Removed

- *Question:* **Please note any other capital assets, such as buildings, equipment, or land that were retired or otherwise removed as a capital asset in FY 2017 and the net book value of each capital asset. Please note any proceeds of the asset if it was sold. *Finance – Alan Wohl***

  Answer: See attachment 6 – Breakdown of Capital Activity

- *Question:* **Please provide a breakdown of NJ Transit capital activity annually for FY 2015 through FY 2018, which includes a breakdown of capital funds expended for operating support, capital funds to generate assets, and capital funds that did not generate an asset.**

Discussion Points (Cont'd)

	FY2015	FY2016	FY2017	FY2018 [FN1]
Capital Funds Expended for Preventative or Permitted Capital Maintenance	$443,110,467	$435,348,819	$260,701,933	$0 [FN2]
Capital Funds Expended to Advance Capital Programs, Including Debt Service Expended on Prior Capital Programs	$688,503,504	$709,873,105	$623,496,808	$406,071,207

Footnotes:
[FN1] – Total expenditures are up to and including February 28, 2018.
[FN2] – Operating funding has been expended until Federal Funds are received.

37a. Testimony provided before the Senate Legislative Oversight Committee and the Assembly Judiciary Committee by Stephen Burkert, chairman of SMART-Transportation Division Local 60, suggested that there is widespread abuse of the discounted fare program for seniors and disabled persons. He reported that his conductors claim that 25% to 30% of all tickets they collect are reduced fare, and that conductors are not permitted to ask passengers for ID when using these tickets.

- ***Question:*** **What measures does NJ Transit take to ensure that special fare programs are not abused by passengers? Does NJ Transit have any way of estimating the current amount of abuse of its fare programs?**

  Answer: NJ TRANSIT takes every measure possible to curtail special fare program abuse. NJ TRANSIT has a Reduced Fare program in which passengers who regularly purchase a reduced fare ticket due to a disability or age can apply for a reduced fare card which provides proof the reduced fare is valid. Conductors/Assistant Conductors are allowed, at their discretion, to ask passengers for identification when a reduced fare ticket is used. This identification includes, but is not limited to, an NJT issued reduced fare card, Medicare Card, Military ID, or Driver's license. When a Conductor/Assistant Conductor informs NJT Rail of suspected abuse by a passenger(s), the NJT Police Department is alerted.

  From 07/2017 – 3/2018, a ticket analysis determined that out of 51,479,051 tickets sold, 3,808,878 were Military/Senior/Disability tickets representing 7.4%. (The same reduced fare ticket is also used by military personnel.)

37b. NJ Transit fare enforcement officers on the light rail system administer fines that vastly exceed the cost of a light rail ticket. This has a strong deterrent effect against fare evasion as the light rail system does not have staff to check the ticket of every passenger.

- ***Question:*** **Is there a business model employed by other transit systems by which commuter rail system conductors can administer similar fines to rail passengers that abuse fare programs? Can fare enforcement officers be deployed in a targeted**

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fashion on commuter rail lines where fare abuse is suspected? Has NJ Transit established a fine amount for fraudulently utilizing a discounted ticket?

Answer: Rail has no knowledge of any business model on other transit systems that Conductors/Assistant Conductors or any other employees other than Police Officers that have Legal Fare Enforcement Authority to issue fines on our heavy rail system.

Fare Enforcement Officers are used to randomly ride NJ TRANSIT's Light Rail system to verify passengers have purchased and validated their tickets (not collect tickets). When a passenger does not have a ticket, the ticket is not validated or the ticket is expired (passed the allowable validation time), Fare Enforcement may issue a summons.

This differs from heavy rail. On our system, tickets are purchased and used at any time. When a passenger is ready to redeem their ticket, they simply board the train at the station. The Conductor/Assistant Conductor then "verifies" the ticket when they collect it from the passenger. After ticket collection, a seat check is issued which has been punched indicating the zone paid for. The Seat Check is then secured on the back of the passenger's seat or in the event of standing passengers,, they are handed it as verification of a paid fare. As the train picks up further passengers at additional station stops, a ticket is collected from passengers without a seat check. This is a continuous process until the train reaches its final destination.

Under the collective bargaining agreement, the Conductor/Assistant Conductor is the only person on board the train that is allowed to collect tickets/fares or check weekly/monthly tickets. It would be a violation of the scope of the UTU's Collective Bargaining Agreement to use anyone other than a Conductor/Assistant Conductor to collect fares/tickets. We currently utilize "spotters" and undercover NJT Police Officers on our trains to observe and report any fare collection issues by individual Conductor/Assistant Conductors.

Rail is unaware of any established "fine" that may be imposed since a summons would be issued by a police officer and under the jurisdiction of the court system. If a fraudulent discount ticket is suspected, the Conductor/Assistant Conductor has the authority to "step up" the ticket to the full fare, asks the passenger to disembark at the next station or call the police if necessary.

38. NJ Transit has not revised its Bus Fleet Strategy or its Commuter Rail Fleet Strategy since 2014. Each of these strategies is near their completion and new strategies may be needed to shape a funding strategy for the bus and rail system for 2020 and beyond. The current strategies both covered the FY 2014 to FY 2020 period.

The rail strategy focused on replacing old single level train cars with higher capacity multi-level cars, some of which were self-powered so that they can pull two non-powered rail cars. This allows for redundancy so that service can continue uninterrupted in the event of a locomotive failure. The plan calls for a reduction in the total number of rail cars, but an increase to total system capacity as the capacity lost by railcar retirement is more than offset by the additional capacity of the multi-level units.

The bus strategy consists largely of purchasing 1,394 cruiser buses and 85 articulated buses, resulting in the replacement of approximately half of the entire bus fleet. This is

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consistent with an agency goal of maintaining a state-of-good repair based on a 12-year average bus replacement schedule.

- *Question:* **Please provide an update on the Bus and Rail fleet strategies. How has the actual annual purchase of buses and railcars compared to the acquisition schedule outlined in the fleet plans? How has the cost of these acquisitions compared to the plan?**

  Answer: Consistent with Federal Transit Administration requirements, NJ TRANSIT is presently drafting updates to its Bus and Rail fleet strategies ("fleet plans") and will submit updates to the Federal Transit Administration as required. The existing fleet plans, which were issued in September 2014, cover a time period through Fiscal Year 2020. NJ TRANSIT's updated fleet plans, when completed and issued, will contemplate a horizon year of Fiscal Year 2030 and anticipate ridership growth, particularly in New York City-bound markets.

  In anticipation of this ridership growth, and to reduce the mean distance between failures, NJ TRANSIT has taken a series of steps to advance the goals of the September 2014 Rail fleet strategy and anticipate the needs of an updated horizon Fiscal Year 2030 plan:

  - In 2017, NJ TRANSIT's Board of Directors approved the purchase of seventeen (17) new dual power locomotives. These dual power locomotives, which are designated as "ALP45As", are very similar to the ALP45 locomotives already owned by NJ TRANSIT, and are expected to be delivered in Fiscal Year 2020.

  - NJ TRANSIT has advertised the acquisition of 113 new Multilevel coaches (including "Powercar" self-propelled coaches). Responsive proposals are due in Summer 2018. The initial delivery of Multilevel coaches is anticipated to begin in late Fiscal Year 2021, with proposed optional purchases thereafter.

  Consistent with the September 2014 Bus fleet strategy, NJ TRANSIT has taken action to procure Cruiser-style long-distance buses to replace older vehicles that have reached their useful life targets. Through this Fiscal Year 2015 procurement, 350 buses have been received to-date. Looking forward, NJ TRANSIT anticipates procurement of 85 or more articulated buses in Fiscal Year 2018. Long term, NJ TRANSIT anticipates as many as 1,285 "transit-style" buses to be replaced in the period of Fiscal Years 2021-2026 for NJ TRANSIT and its partners.

- *Question:* **When will new fleet plans be completed? What are the priorities going to be in the new fleet plans? Has the rail strategy of utilizing self-powered multi-level units succeeded in reducing the impact of locomotive failures and increasing overall system passenger capacity?**

  Answer: As noted above, consistent with Federal Transit Administration requirements, NJ TRANSIT is presently drafting updates to its Bus and Rail fleet strategies ("fleet plans" or "fleet strategies") and will submit updates to the Federal Transit Administration as early as practicable.

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The priority of the Rail fleet strategy is, in the near-term, to replace aging diesel locomotives with more powerful, cleaner, and more versatile dual-power locomotives, and this strategy was implemented by NJ TRANSIT's Board of Directors through a recent exercise of a contract option to acquire seventeen new ALP45A locomotives. These locomotives can move more coaches in longer trains than the old locomotives they will replace, and their dual-power design allows them to serve nearly all points of the NJ TRANSIT network. A second priority is to replace aging Arrow III electric cars with new Multilevel coaches, including Powercar self-propelled coaches. This action will allow NJ TRANSIT to retire the 40-year old Arrow cars as soon as practicable while providing greater seating capacity and conveniences. In addition, the fleet strategy is built upon the policy of maintaining the fleet in a state of good repair so that NJ TRANSIT system wide seating capacity remains safe, reliable, and convenient.

The priority of the Bus fleet strategy is replace buses, on a one-for-one basis, as equipment reaches useful life targets. At present, NJ TRANSIT is receiving new Cruiser buses for services operated by NJ TRANSIT. Cruiser buses are also distributed to New Jersey private carriers and contract carriers of the agency. This flow of new buses is expected will continue through 2021-2022, thereby replacing all Cruisers used in New York, Philadelphia, and other long-distance routes. The vast majority of these buses are 45-feet long, replacing older 40-foot long buses and adding 8 new seats to each bus, which addresses standee problems and improves system productivity. A second priority is to replace the 85 or more articulated buses that have reached their useful life target in the near future, and then finally to begin the process to replace "transit-style" buses in the 2021-2026 time frame. NJ TRANSIT will maintain the buses in a state of good repair to ensure they are safe, reliable, and ready for service.

- ***Question:*** **What was the average annual level of rail and bus investment over the current fleet plan? Is the annual level of spending on the bus and rail fleet expected to change in the next fleet plan?**

Answer: To support the goals of the Rail fleet strategy, NJ TRANSIT has proposed to program a total of $470.76million as reflected in the Statewide Transportation Improvement Program, over a four year period (FY18-FY21). When annualized, this proposed programming level would lead to investment of approximately $117million per year. This programmed total reflects the acquisition of ALP45As and Multilevel vehicles, as discussed above, and other investments consistent with NJ TRANSIT's strategy.

To support the goals of the Bus fleet strategy, NJ TRANSIT has proposed to program a total of $437.37million as reflected in the Statewide Transportation Improvement Program, over a four year period (FY18-FY21). When annualized, this proposed programming level would lead to investment of approximately $110million per year. This programmed total reflects the continued acquisition of Cruiser buses and the new acquisition of articulated buses, as discussed above, and other investments consistent with NJ TRANSIT's strategy.

At this time, these annualized levels of proposed programming are not expected to change in the fleet strategies that are currently being finalized.

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39. Over the last eight years NJ Transit has invested little in system expansion through the capital program. The ARC tunnel was cancelled and the Hudson-Bergen Light Rail spent roughly eight years in environmental review. The Glassboro-Camden light rail, the Lackawanna Cutoff, and the Monmouth-Ocean-Middlesex rail line all failed to advance to the construction phase. In place of these expansions, the NJ Transit capital program provided significant operating support, invested heavily in bus and rail fleet replacement, minor light rail expansions, station renovation, and increased annual capital support for the Northeast Corridor.

The capital cost of the Gateway Program, the Northern Branch of the Hudson-Bergen Light Rail, the Glassboro-Camden light rail, the Lackawanna Cutoff, and the Monmouth-Ocean-Middlesex rail line vastly exceeds capital program funding availability in the coming years to support those projects.

- ***Question:*** **If the NJ Transit capital program includes major system expansion projects in the coming years, what areas of current capital expenditures will have to be reduced in order to accommodate those new projects? Is the distribution of department and NJ Transit funding within the capital program expected to notably shift in the coming years?**

  Answer: Following the re-authorization of the Transportation Trust Fund, the previous Administration projected a ten-year statewide capital program which does not include a notable shift in the distribution of department and NJ TRANSIT funding. NJ TRANSIT continues to evaluate available funding opportunities to support system expansion, including Federal Transit Administration Capital Investment Grant Program funding and other funding sources.

- ***Question:*** **What is the current funding priority for the Gateway Program, the Northern Branch of the Hudson-Bergen Light Rail, the Glassboro-Camden light rail, the Lackawanna Cutoff, and the Monmouth-Ocean-Middlesex rail line?**

  Answer: NJ TRANSIT continues to evaluate the availability of Federal Transit Administration Capital Investment Grant Program funding, and other funding sources, in order to advance projects which expand existing systems to provide additional transit opportunities for New Jersey residents.

E. Performance Budgeting

40. NJ Transit average daily system -wide ridership has declined from 472,425 in FY 2016 to 458,850 (-2.6%) in FY 2017 and a revised 443,581(-3.3%) for FY 2018 (Budget pg. D-367). This revised figure for FY 2018 is 20,519 (4.4%) lower than the original estimate. This has led to declining per-rider revenue/cost ratios. Bus ridership in particular appears to have been significantly impacted with average daily bus ridership falling by 15,200 (-5.6%) between FY 2016 and FY 2018. No change in ridership is estimated in FY 2019

With two consecutive years of decreased ridership, projected FY 2019 farebox revenue of $985.8 million (Budget pg. D-368) is 3.7% below FY 2017 levels of $1.023 billion.

The cost of all NJ Transit operations over this period has increased from $2.111 billion in FY 2017 to $2.218 billion (+5.1%) in 2018, and to $2.316 billion (+4.4%) in FY 2019.

Discussion Points (Cont'd)

- *Question:* **Please provide a list of ridership levels, farebox recovery ratios, and passenger growth rates for each bus route, rail line, and light rail line for FY 2014 through FY 2018 (projected full year).**

  Answer: See attachment 7 Ridership levels and Farebox Recovery.

- *Question:* **As ridership continues to decline despite annual cost increases, are there any underlying factors unique to a line or region that help to explain these declines? Please identify any routes and/or regions where ridership declines appear to be concentrated.**

  Answer: There are three broad travel markets served by NJ TRANSIT, each of which displays unique characteristics and trends. The three markets are travel between New Jersey and New York City; travel within New Jersey between points in northern New Jersey; and trips in southern New Jersey both within the state as well as to Philadelphia.

  The overall NJ TRANSIT trend is familiar, rider gains through 3Q16, when the impact of inexpensive gasoline overtakes economic and employment growth, resulting in diminishing ridership.

  Through 3Q16 New York City market ridership expanded significantly greater than the NJ TRANSIT system overall, and has subsequently felt less of an impact from the drop in gasoline prices. When the costs of toll roads, toll bridges and tunnels, and Manhattan parking are considered, gas prices represent a much smaller share of the out-of-pocket expense of driving in the NYC market than it does in other markets. During FY18 NYC market ridership stands -0.7% lower than FY17, and just -0.4% lower excluding the summer months impacted by the Penn Station Renewal project.

  North Jersey market ridership likewise has been declining since 3Q16, with the exception of Hudson Bergen Light Rail, which serves the booming 'Gold Coast' communities along the Hudson River. Gasoline represents the largest out-of-pocket driving expense in this market, as most intra-NJ trips do not require a toll road and other than downtown central business districts most parking is free. The North Jersey market has been virtually a mirror-image of industrywide trends (dotted line). During FY18 North Jersey market ridership has declined -3.0%.

  South Jersey market trends have trailed those of the rest of NJ TRANSIT. In addition to gas prices, South Jersey has a much lower population density than North Jersey, which leads to less demand for transit service, resulting in thinner and more limited service levels, which in turn makes auto alternatives all the more appealing as the costs of ownership and continued auto use fall. Rider declines have been systemic, across all services and regions of South Jersey. During FY18 South Jersey ridership has declined -4.9%.

- *Question:* **When did the agency last conduct a comprehensive review of its route structure to determine whether the design of existing routes optimally connect to travel origins and destinations across the State? *Capital – Daleo***

Discussion Points (Cont'd)

NJ TRANSIT has a dedicated planning unit within its Capital Planning and Programs Department that includes facility planners, ridership forecasting, and other planning functions that support long-range plan development. As part of its work, NJ TRANSIT regularly considers ridership trends and system expansion/state of good repair needs. A relatively recent example of a large-scale effort in this regard was the Greater Newark Bus System Study, jointly funded by the NJTPA and NJ Transit, which was completed in summer 2011. It recommended improvements to bus services and intermodal transit connections in the greater Newark area. The study focused primarily on the core service areas of downtown Newark (including connections to rail services at Newark's Penn Station and Broad Street Station), suburban Essex County, Newark Liberty International Airport, and the City of Elizabeth in neighboring Union County. Some of recommendations of this study have been implemented resources allow. NJ TRANSIT also participates with other agencies, including Amtrak and the Port Authority of New York and New Jersey on long-range studies that consider the optimization of existing routes and opportunities to expand service or capacity.

F. Federal Funding and Regulation

41. The main portion of federal funding provided in the New Jersey Transportation Capital Plan comes from apportionment funding. Apportionment funding is provided to each state based on a formula that divides a fixed pool of federal funding among the states based on categories. The State budget typically appropriates to NJ Transit a portion of the funding provided through FHWA programs that could be utilized for either highway or transit purposes. Additionally, NJ Transit receives dedicated transit funds from the Federal Transit Administration (FTA), also apportioned by formula, and in some cases by metropolitan area.

Typically NJ Transit receives about $160 million in FHWA formula highway funds for preventative maintenance in addition to its own allocation of FTA funds identified within the FAST Act.

- ***Question:*** **How much federal apportionment funding for NJ Transit projects from prior fiscal years has not yet been expended? For each federal fiscal year from federal FY 2015 - 2018 please identify the amount of funds in each federal FTA and FHWA apportionment category that was appropriated in each year's State capital program and any amount that has not yet been expended. Please provide a table similar to the one provided in response to FY 2018 OLS Discussion Point 29, and also identify the balances by fiscal year that have not yet been expended.**

Answer:

Funding Category	FY 2015 Approp.	FY 2015 Not Yet Expended [FN1]	FY 2016 Approp.	FY 2016 Not Yet Expended [FN1]	FY 2017 Approp.	FY 2017 Not Yet Expended [FN1]	FY 2018 Approp.	FY 2018 Not Yet Expended [FN2]
Federal								
FHWA: CMAQ	$50.00	$50.00	$50.00	$50.00	$75.00	$75.00	$50.00	$50.00

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FHWA: STP-Statewide	$168.40	$0.00	$176.50	$0.00	$89.50	$89.50	$87.00	$87.00
FTA: Section 5307	$279.20	$0.06	$283.90	$5.60	$304.49	$188.43	$311.68	$311.68
FTA: Section 5310	$7.20	$7.20	$7.20	$7.20	$7.20	$7.20	$7.20	$7.20
FTA: Section 5311	$4.20	$4.20	$4.20	$4.20	$4.20	$4.20	$4.20	$4.20
FTA: Section 5324	$147.08	$56.61	$1,091.68	$ 1,079.38	$393.16	$393.16		
FTA: Section 5309/5337	$157.30	$0.00	$156.40	$0.00	$179.85	$96.45	$186.07	$186.07
FTA: Section 5339	$14.90	$0.00	$14.40	$14.40	$14.42	$16.28	$17.67	$17.67
FRA	$16.00	$16.00						
Subtotal Federal	$844.28	$148.97	$1,784.28	$1,160.78	$1,067.82	$870.22	$663.82	$663.82

[FN1] NJ TRANSIT is currently awaiting final federal approval for funding specifically allocated to NJ TRANSIT in Federal Fiscal Years 2015, 2016, and 2017, which are reflected in the unexpended balances. NJ TRANSIT timely submitted grant applications which are pending federal review.

[FN2] The federal grant application process for Federal Fiscal Year 2018 is currently underway. NJ TRANSIT is preparing responsive grant applications for review by the Federal Transit Administration. As a result, no Federal Fiscal Year 2018 funding has yet been expended.

The outstanding CMAQ funding is for the purchase of Multilevel Vehicles that are currently in design. The base bid for this project is $613.9 million. The section 5310 and 5311 funding is a competitive program NJ TRANSIT offers to the local municipalities and counties. The FFY 2015 funding year application package is currently being reviewed by FTA.

Lastly, the remaining FTA Section 5339 funding is for the replacements of the articulated buses which are also currently in design. This funding will be obligated once the procurement contracts are secured.

Discussion Points (Cont'd)

- *Question:* **Please identify the federal funds, if any, that are at risk of rescission if these funds are not obligated in the upcoming State fiscal year.**

  Answer: Presently, NJ TRANSIT is not at risk of rescission of these federal funds not currently obligated. However, should the Federal Transit Administration change policies, NJ TRANSIT would need to re-evaluate the obligation of such funds.

42. In the Governor's FY 2018 budget, the FY 2017 adjusted appropriation for federally funded NJ Transit public transportation projects (page H-7) was $1.088 billion. In the Governor's FY 2019 budget, the FY 2017 amount expended for those projects (page H-6) was $677.8 million, $410 million less than the adjusted appropriation. The adjusted appropriation for FY 2018 is $668 million: the amount recommended for FY 2019 declines to $616 million.

In response to FY 2018 OLS discussion point #31, it was noted that there was $1.247 billion in unspent appropriations related to Superstorm Sandy Resiliency projects.

- *Question:* **Please explain the difference between the FY 2017 adjusted appropriation for federally funded NJ Transit projects and the amount expended in FY 2017. If the difference/decrease reflects a change in the progress of expending federal funds awarded for Superstorm Sandy resiliency projects, please identify the amount for such projects included in the FY 2016 expenditures, the FY 2017 adjusted appropriation, FY 2017 expenditures, and the FY 2018 recommendation.**

  Answer: Please see the answer to question 41 regarding the difference between the FY 2017 amount expended and the adjusted appropriation.

- *Question:* **Please disaggregate expenditures of Superstorm Sandy resiliency funds from total federal expenditures for FY 2016 through FY 2019. When will these resiliency projects be completed and funds fully expended?**

  Answer: Please see the answer to question 41 which lists amounts not yet expended by Fiscal Year. NJ TRANSIT projects that resiliency projects will be completed, and funds fully expended, by 2022.

43. The Amended and Restated Northeast Corridor Services Agreement between New Jersey Transit Corporation and National Railroad Passenger Corporation (Amtrak) includes incentive and penalty provisions concerning on-time performance. This agreement has been in effect for approximately 18 months.

A December 15, 2017 article on NorthJersey.com, reported that NJ Transit had withheld $121 million in payments from Amtrak over conditions on the Northeast Corridor, consisting of $95.5 million under the capital agreement and $25.7 million under the operating agreement with Amtrak. These payments are being withheld as a result of significant train delays resulting from various derailments and repair work in the last year, and the generally poor state of repair on the Northeast Corridor which is owned by Amtrak. NJ Transit makes payments for the use of the Northeast Corridor for NJ Transit service. In the article, an NJ Transit spokesperson is quoted as saying, "We anticipate resuming payments to Amtrak and releasing funds that have been withheld once our concerns are addressed."

- *Question:* **Please provide an update on the current value of payments under the operating and capital agreements that are currently being withheld due to this**

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contract dispute? What capital and/or operating line items comprise these withheld payments?

Answer: NJ TRANSIT makes payments to the National Railroad Passenger Corporation (Amtrak) pursuant to numerous agreements, the most significant of which are the Amended and Restated Northeast Corridor Services Agreement (Services Agreement) and the Agreement for Capital Obligations Under the Passenger Rail Investment and Improvement Act of 2008 (Capital Agreement). On April 6, 2017, NJ TRANSIT declared that Amtrak was in breach of those two agreements because it was not maintaining the infrastructure in the required state of good repair (SOGR). NJ TRANSIT disputed past and pending invoices based on this failure.

As of April 15, 2018, NJ TRANSIT has withheld $39m in payments under the Services Agreement and $130.4m in payments under the Capital Agreement. These payments all relate to SOGR work. There are other payments due to Amtrak, however, that are unrelated to SOGR work. For example, NJ TRANSIT pays Amtrak for dispatching services, inspection services, the lease of certain space, and the use of electrical propulsion. (Some of these payments are required pursuant to agreements other than the disputed Services Agreement and Capital Agreement.) NJ TRANSIT has continued to make payments to Amtrak for such non-SOGR amounts.

- ***Question:*** **Have any claims been made under the incentive and penalty provisions of the contract, or have the value of those penalty and incentive provisions been calculated?**

  Answer: The incentive/penalty language in the Services Agreement differed somewhat from the language in the prior version of the agreement. While the new agreement was being negotiated, Amtrak and NJ TRANSIT continued to operate using the original language. The new method was implemented effective with the beginning of Amtrak's Fiscal Year 2017 (October 1, 2016). Since then, the monthly on-time performance (OTP) has varied, with Amtrak earning incentives in some months, and owing penalties in others. Overall, though, the net has been minimal, such that no dollars have actually changed hands. As of the end of December, 2017 (15 months following the new methodology), Amtrak owes NJ TRANSIT approximately $78,000. When the data becomes available for January-March quarter, NJ TRANSIT will evaluate the resulting net balance. If the balance exceeds $100,000, NJ TRANSIT will work out a credit with Amtrak to apply against other NJ TRANSIT invoices, thereby reducing the balance. If Amtrak's performance in the quarter was good, then the balance will be reduced and will carry forward to the next quarter.

44. In November 2015, the Governors of New York and New Jersey came to an agreement with the federal government for funding of the Gateway Program. Publicly released details of the agreement note that the federal government and Amtrak will provide at least 50 percent of the funding for the project and in exchange for that minimum funding guarantee, New York and New Jersey will work to identify the remaining funding.

The Gateway Program is a series of related projects. The biggest project in the group is the Hudson Tunnel Project which involves the construction of two new rail tracks under the Hudson River. Community meeting documents on the project website indicate an anticipated start to construction of around March 2019. It is not clear whether there is federal funding in

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place to begin that construction. The Trump administration has said that it no longer accepts the 2015 agreement and, for the purposes of the Gateway Program, also does not consider federal loans to be part of any local funding share as part of the New Starts funding application. The most recent New Starts report revised the project score of both the Portal Bridge Replacement Project and Hudson Tunnel Project down so that they are among the lowest scored projects in the New Starts pipeline. The most recent federal appropriations act includes some Gateway Program funding, but after accounting for the federal share of the Portal Bridge Replacement Project, that funding is a fraction of the amount needed to support a 50 percent federal share for the Hudson Tunnel Project. Also, neither of those projects appears to have officially received awards of New Starts program funding at this point.

The Port Authority of New York and New Jersey included $2.7 billion in funds in its 10-year capital program to support debt service payments on Gateway Program-related borrowing through low interest federal loans. New York and New Jersey also both announced in late 2017 a plan to issue debt through a federal loan program in support of the Gateway Program. At this point, neither State has issued any of that debt.

- *Question:* **Please provide an update on the status of the Portal Bridge Replacement Project and the Hudson Tunnel Project. Please identify all funding for each project that has formally been secured and existing funding gaps. For any funding that is not formally secured, please identify dates by which that funding must be secured to avoid project delays.**

  <u>Answer: Portal North Bridge Replacement Project</u>

  NJ TRANSIT is currently advancing early action construction activities to support the Portal North Bridge Replacement Project. The Federal Railroad Administration previously awarded a $16 million Transportation Investment Generating Economic Recovery ("TIGER") Grant to NJ TRANSIT to commence this work. NJ TRANSIT is providing a local match of $4 million. Early action construction activities are scheduled to be completed in the First Quarter of Calendar Year 2019.

  With regard to activities beyond early action construction, procurement packaging for the new Portal North Bridge is currently being finalized for public bidding. These procurement packages are slated to be finalized by the First Quarter of Calendar Year 2019. In addition, NJ TRANSIT is currently advancing the acquisition of property necessary to support the project.

  In State Fiscal Year 2018, NJ TRANSIT programmed $20.935 million to support the Project. NJ TRANSIT has proposed to program in State Fiscal Year 2019 an additional $14 million in funds to support the Project. The Statewide Transportation Improvement Program from Fiscal Year 2018 proposed, over a ten year period, a total of $176.651 million in Portal North Bridge Replacement Project funding. NJ TRANSIT continues to work with the Gateway Program Development Corporation, the State of New York, the State of New Jersey, the Federal Transit Administration, the Port Authority of New York & New Jersey, and Amtrak to secure the balance of funding necessary to advance this Project.

  <u>Hudson Tunnel Project (HTP)</u>

Discussion Points (Cont'd)

NJ TRANSIT is responsible for the development of the Hudson Tunnel Project Environmental Impact Statement, while Amtrak is overseeing the Preliminary Engineering for the project. The HTP Final Environmental Impact Statement (FEIS) is complete and has been under review by the Federal Railroad Administration and USDOT. NJ TRANSIT has had no indication that there are any outstanding technical issues with the FEIS. A schedule for final approval of the FEIS and issuance of a Record of Decision (which would conclude this portion of the environmental review process) has not been established by FRA/USDOT.

The requisite funding agreements for the Hudson Tunnel project cannot be determined until a federal budget is adopted and a source of federal funding is identified. A cost estimate of $12.9 billion was developed for the Hudson Tunnel Project. Amtrak is funding the development of the FEIS. Amtrak and the Port Authority of New York and New Jersey have each agreed to each fund $35 million to develop the Preliminary Engineering in support of the FEIS. The USDOT provided $235 million to Amtrak for construction of a right of way preservation project in New York City that Amtrak is constructing. NJ TRANSIT and the Long Island Rail Road each have agreed to contribute $5.5 million toward this project.

- ***Question:*** **Please provide a copy of a June 20, 2016 memorandum of understanding concerning the Gateway Program funding agreement.**

  Answer: See attachment 8 – Gateway MOU.

- ***Question:*** **Please provide an update on the plans for the State funded portions of the Gateway Program. What amounts of State funds have currently been appropriated or expended on Gateway Program project components? Does NJ Transit intend to issue debt backed by future surcharges on cross-Hudson passenger trips? Why would this approach be preferable to working through future appropriations of existing TTFA State and federal funding sources?**

  Answer: See Response to Question 44(a) above. Statutorily, NJ TRANSIT is not permitted to issue debt.

- ***Question:*** **Please provide an update on the New Starts program applications for the Portal Bridge Replacement Project and Hudson Tunnel Projects. What is the anticipated point at which a full funding grant agreement will be in place for each project? Until that agreement is in place, what construction activities for each of the two projects can be completed with other funds before federal funds need to be formally secured?**

  Answer: NJ TRANSIT continues to work with the Gateway Program Development Corporation (GPDC), Port Authority of New York and New Jersey, and Amtrak to develop and advance New Starts program applications to fund the Portal North Bridge Replacement Project and Hudson Tunnel Project.

  On the Portal North Bridge project, FTA issued its Record of Decision in July 2017 and, in August 2017, NJ TRANSIT issued a Notice to Proceed for early work contracts, with construction beginning in October 2017. In November 2017, NJ TRANSIT

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submitted a request to the FTA to enter into FTA's Engineering Phase for the Core Capacity Grant application sent several months prior (in September 2017). A resubmission of the Request to Enter Into Engineering is expected in early May 2018.

With regard to the Hudson Tunnel Project, the Port Authority of New York and New Jersey, in partnership with the GPDC, submitted an application for funding for the Hudson Tunnel Project to the Federal Transit Administration's Capital Investment Grant (CIG) program. This application included identification of $5.55 billion, or 100% of the local share of the cost for the project. The application requested the balance of the project funding from the CIG program. NJ TRANSIT continues to work with the GDPC, Port Authority of New York and New Jersey, and Amtrak to develop additional funding strategies.

- ***Question:*** **What alternative scenario planning has NJ Transit undertaken to identify means of cross-Hudson travel in the event that the Hudson Tunnel Project cannot be completed and placed into service prior to the need to close the existing tunnels for repair?**

  Answer: It is not clear when the existing tunnel would need to be closed for repairs, but Amtrak continues to do work to ensure that the tunnel is operational. As stated in the Hudson Tunnel Project Draft Environmental Impact Statement, "given the uncertainty about the timing and extent of any closure of the tunnel, for purposes of analysis in this EIS, FRA has made the assumption that the North River Tunnel would remain functional and in operation at least through the EIS analysis year of 2030. Since the No Action Alternative is the baseline against which the impacts of the Preferred Alternative are compared in this EIS, this approach allows for a conservative and rigorous analysis of the impacts of the Preferred Alternative."

  NJ TRANSIT has not, under the prior administration, engaged in formalized scenario planning related to this question, but has gained experience in trans-Hudson transportation challenges. NJ TRANSIT has developed contingency transportation plans and/or operations in preparation for specific events, most recently Amtrak's Penn Station Renewal work in summer 2017, in which roughly 25% of NJ TRANSIT peak hour rail service was diverted from Penn Station New York. NJ TRANSIT partnered with PATH, ferry operators, and others to provide alternative transportation to New York from New Jersey. However, it should be stated that there is not a reasonably foreseeable scenario in which the transportation system can accommodate a major shift of peak period rail passengers to other modes of transportation.

- ***Question:*** **During an emergency that closes the Hudson Tunnels for an extended period of time, how much additional cross-Hudson capacity can NJ Transit provide via bus service? How much additional ferry capacity exists if subsidies were provided to existing ferry operators to maximize the capacity of their fleets?**

  Answer: The total additional ferry capacity on its existing service would aggregate an additional 1,800 seats per hour. With subsidies for additional ferry boats to be added would provide another 4,800 seats per hour.

Discussion Points (Cont'd)

The number of additional riders that can be carried by the existing NJ Transit interstate bus system, taking into consideration the current seating capacity as well as standing capacity on those buses that permit standing during the 6am to 9 am peak period is an additional 29,189 passengers on 1,343 bus trips.

- ***Question:*** **Has NJ Transit ever conducted a study or estimated the cost of starting a ferry operation of comparable size to the Staten Island Ferry out of Hoboken?**
  Answer: No, NJ TRANSIT has not conducted a study or estimated the cost of starting ferry operations of comparable size to Staten Island Ferry out of Hoboken**.**

45. The FTA requires states in which transit systems operate to establish a State Safety Oversight (SSO) program by April 15, 2019. Federal funds are conditioned upon the state obtaining certification of its SSO Program by this deadline. The FTA recommends that states submit their SSO program certification applications by April 15, 2018, and no later than September 30, 2018. The SSO program must be established outside of a transit agency and be responsible for investigations of rail accidents and incidents.

- ***Question:*** **Please comment on the department's and NJ Transit's progress in creating the SSO program. Has the State's SSO program been submitted to the FTA? If not, when will the State submit its SSO program? Has the federal government provided any guidance about the magnitude of federal penalties for failing to achieve certification by the April 15, 2019 deadline?**

Answer: The State of New Jersey established a State Safety Oversight (SSO) program in 1997 via Executive Order 65 (Whitman). The Executive Order designated the New Jersey Department of Transportation (NJDOT) as the agency to carry out the provisions of the Federal Transit Administration's (FTA) State Safety Oversight of Fixed Guideway Systems in the State of New Jersey, as directed by and in compliance with 49 C.F.R. Part 659. NJDOT's Division of Multimodal, Office of Fixed Guideway is responsible for administering the program.

Effective April 2016, the FTA imposed new requirements that states must meet to oversee rail transit systems safety. These new requirements provide for greater oversight authority over transit agencies. FTA's final rule requires states which operate rail transit systems to establish and certify an SSO Program. To ensure compliance, FTA is required to certify each state's program by April 15, 2019. (If a state fails to obtain certification for its SSO Program by the deadline, FTA cannot obligate any funds to public transportation agencies throughout that state until certification is achieved.) Although New Jersey has an existing SSO, it has not yet been certified.

The creation and submittal of the NJDOT Rail Transit State Safety Oversight Program Standard (SSOPS), regulations and staffing have been key components of the application process. The NJDOT formally applied for certification on March 1, 2018 – 6 weeks in advance of FTA's "preferred submission date" and 30 weeks ahead of September 30, 2018, the date after which FTA could not guarantee a state time to review its application. New Jersey is currently in Stage 3 of the certification process, with the fourth and final stage being certification. That means that the State has submitted all required documents to FTA and is engaged in a dialogue with FTA to

Discussion Points (Cont'd)

address comments and questions. The FTA is reviewing the State's application and has until April 15, 2019 to certify the program.