

NORTH JERSEY TRANSPORTATION PLANNING AUTHORITY, INC.

PROJECT PRIORITIZATION COMMITTEE

*FREEHOLDER SUSAN ZELLMAN, CHAIRMAN
COUNTY EXECUTIVE DENNIS MCNERNEY, VICE CHAIRMAN*

Teleconference Minutes

May 7, 2007

I. Roll Call of Members

Committee Chairman Susan Zellman, Freeholder, Sussex County, called the meeting to order at 10:05 a.m. There were eleven voting members participating, as well as various other Board members, subregional staff and agency representatives who were not Committee members and participated in a non-voting capacity (see attached attendance list for details).

II. Action Item

Approval to Flex \$1 Billion in FHWA Funds for State TTF Funds Over the Next 10 Years for the ARC Project

Committee Chairman Zellman stated that the meeting had been called at the request of NJDOT Commissioner Kris Kolluri to address a single action item for referral to the full Board of Trustees at its regular May 14 meeting. She then asked Cliff Sobel, Central Staff, to give an overview of the proposal.

Mr. Sobel noted that the action before the committee spoke to the future of rail service in the region. He noted that the NJTPA's Regional Transportation Plan has identified the ARC Tunnel Project as the region's highest transit expansion priority for two reasons. First, it will provide needed rail capacity into Manhattan to meet growing demand. Second, because it will allow the region to accommodate future rail expansion projects that are in the planning stages in many counties.

Mr. Sobel said that NJ Transit has brought the project to a key point and is preparing a Federal Transit Administration (FTA) grant application for "New Start Funding" to be submitted during summer 2007. This application must include a financial plan that reflects the local commitment of funds for this project, which can include certain types of federal funding.

Mr. Sobel indicated that FTA would rate the project higher for new start funding if a greater amount of the "local" share is "committed." To date, the Port Authority of New York & New Jersey has committed up to \$2 billion while the state of New Jersey has committed \$500 million that is already in the Transportation Improvement Program (TIP).

Mr. Sobel said that the state has proposed a swap of federal funds for state trust fund dollars to provide the additional \$1 billion local commitment for this project. The mechanics of the swap would be as follows:

- \$1 billion in FHWA funds would be flexed to NJ Transit over a 10-year period.

- \$350 million would be flexed during the first five years.
- \$650 million would be flexed over the final five years.
- For the FY 2008 TIP, scheduled for Board adoption in July, \$50 million would be flexed. This amount will increase over time.

The highway funding categories to be flexed for the first four years would be Congestion Mitigation and Air Quality (CMAQ) and National Highway System (NHS), but may include other FHWA funds in the future.

However, Mr. Sobel pointed out, the swap would not affect Surface Transportation Program (STP-NJ) funds, which are allocated to the NJTPA and used for local projects in the 15 subregions.

He also noted that \$20 million each year would be retained in CMAQ funds in order to fund the region's Transportation Management Associations and other local CMAQ projects.

In return, an equal amount of TTF money (\$1 billion over a 10-year period) would be flexed each year from NJ Transit's budget to NJDOT for road projects. Mr. Sobel stressed that the action would be a dollar for dollar swap, meaning that no highway project would be adversely affected. He also noted that implementation of the agreement would occur each year through the Board's annual development and approval of the TIP, giving the Board input into the projects that would be selected for flexing each year.

Freeholder Zellman then asked Commissioner Kolluri if he would like to make remarks. The Commissioner reiterated two points. First, he praised the NJTPA for its ongoing commitment to the ARC project, as reflected by the action under discussion. Second, he noted that the FTA by July is going to release its rating for all projects vying for New Starts funding. He said the state intends to make sure that the project has one of the highest ratings of any project so that there can be an FTA Record of Decision by spring of 2008 and an FTA full-funding grant agreement by late spring or early summer 2008.

The Commissioner reiterated that the proposal would not lead to less funding in the highway accounts, because TTF dollars would replace all money going to the ARC project. He added that the state intends to spend TTF funds in a way that is consistent with the desires of the state's Metropolitan Planning Organizations such as the NJTPA over the entire 10-year period of the funding proposal.

He pointed out that approval of this proposal would give the state the ability to demonstrate that it has nearly 50 percent of the cost of the project covered by the local funding share. He thanked the Committee for considering the proposal.

Freeholder Zellman then called on Rich Roberts of NJ Transit to speak. Mr. Roberts spoke about NJ Transit's perspective on the need to flex federal highway funding to the ARC project for use as local funding. He noted that the purpose of the requested action was to increase and make firm and evident the local funding commitment for the single most important public transit project ever to come before the NJTPA.

Mr. Roberts noted that ARC would double the capacity of NJ Transit's rail network, enabling the agency to serve the ridership demands of 2030, when ridership will have doubled. He said the project would benefit the entire state by addressing an existing rail bottleneck along the

Northeast Corridor between Newark and New York City. He noted that the project would provide a one-seat ride into midtown Manhattan on several current and future rail services and more rail transit service for travel within New Jersey.

He noted that at countless meetings involving the NJTPA Board and its members, NJ Transit and the Port Authority had spoken for more than a decade of the need for this project during the planning and environmental analysis phases. He said that the Draft Environmental Impact Statement for ARC was concluding, that NJ Transit had initiated work on the Final Environmental Impact Statement, and that preliminary engineering was underway. He said NJ Transit expected to begin final design very soon.

Mr. Roberts explained that since NJ TRANSIT is seeking discretionary funding from the “New Starts” program, it must follow the FTA process, which is a form of nationwide competition. He proceeded to provide more details about how the process works. The ARC project is now competing against 25 projects proposed by various agencies. The FTA uses a very exacting process with specific measures of cost, project benefits, performance and effectiveness. Projects are evaluated and rated in several categories; there are five possible ratings for each evaluation category with “high” being the best. There are performance measures and criteria that must be met during each round of evaluation. Mr. Roberts said that earlier this year ARC received a medium rating in its first evaluation, which was fine since the project was still in the DEIS phase and only beginning preliminary engineering.

Mr. Roberts noted that the local funding commitment is a particularly important factor in the evaluation. FTA considers the amount and strength of the local commitment. He noted that the farther a project is in the FTA process, the stronger the local funding commitment must be. That is, while the commitment of local funds was sufficient in the last submission for NJ Transit to enter into Preliminary Engineering, the funding commitment requirement for Final Design is higher. Mr. Roberts said NJ Transit is poised to complete the FEIS by the end of this year and begin Final Design. He said NJ Transit expects to pursue a Full Funding Grant Agreement with the FTA in 2008. He said that if the region intends to follow this timetable, the FTA’s concerns about the size and form of the local funding commitment must be addressed.

Mr. Roberts said that if action is not taken, the region runs the risk of not seeing the ARC project advance so it can be completed by 2016, when it is expected that ridership will exceed capacity in peak hours. He also noted that NJTPA members support other transit projects that depend on ARC moving forward on the schedule he outlined.

Freeholder Zellman then requested comments on behalf of the Governor. Commissioner Kolluri stated that the Governor considered the ARC tunnel his highest transportation priority and fully endorsed the proposal.

Freeholder Zellman then called for comments by Somerset County Freeholder Peter Palmer, the former chairman of the NJTPA and current chairman of the NJTPA’s Freight Initiatives Committee. Freeholder Palmer reiterated that the ARC project is the region’s number one transit project and stated that the only way it can happen is for the state and region to come up with the money. He said that the funding proposal was a move in the right direction.

Freeholder Zellman then gave each subregion represented on the PPC an opportunity to voice any concerns or comments.

Farouk Ahmad, Director of Planning for Bergen County, said that the County Executive and the Freeholders of Bergen County are 100 percent behind the ARC project and this action. He said the County was concerned about the potential for any funding reductions for the Northern Branch transit project. Mr. Ahmad said he had spoken with NJ Transit officials and was assured that there was sufficient funding to advance the Northern Branch project. He said that with that reassurance, the county approved the funding proposal.

Phil LiVecchi, Essex County, asked Commissioner Kolluri if the exchange of funds would lead to any additional levels of review for projects to go forward. The commissioner said that the TTF funds used for road projects would be less restricted than federal funds and would offer greater flexibility.

Hudson County Executive Thomas DeGise said the county supports this action, but would like to hear that there is a commitment to replenish the state Transportation Trust Fund. Commissioner Kolluri responded that the Governor is committed to fixing the fund in the long term. He said that the Governor would soon unveil an “assets monetization” proposal that will fix the TTF for a generation. County Executive DeGise expressed concern that such a plan might not be approved. Commissioner Kolluri said he understood that, but that the Governor’s previous action to renew the Trust Fund demonstrated his commitment to do so once more.

Sue Dziamara, Hunterdon County, said that the county supports the flexing of funds for the ARC project. However, she wanted to confirm that this action would not reduce the maintenance of railroad bridges in the region. Mr. Roberts explained that money in that account had been dedicated specifically to the Portal Bridge project, which is now listed separately in the TIP for the first time.

George Ververides, Middlesex County, said the county also supports this action for the ARC project. He said that the county was somewhat concerned that the \$500 million from the state might not ultimately be available for the project. Commissioner Kolluri stated that that money already had been put toward the project as part of previous transportation funding measures.

Mr. Ververides also asked whether specific transit projects being planned in the NJTPA region would be impacted by the changes in the NJ Transit capital program. Mr. Roberts said the agency did some “belt tightening” on some projects but that all would continue to progress.

Mr. Ververides noted that about \$3.5 billion toward the project’s total cost of more than \$7 billion would be accounted for if this measure was approved. He asked where the remaining funds would come from. Mr. Roberts said there will be need for additional local matching funds. Pete Garino, NJ Transit, added that more money would likely be needed

Dick Lane said Ocean County fully supports the ARC project and this action because it is needed to allow for additional expansion of transit within the region.

Echoing Mr. Ververides’ points, Tom Drabic, Sussex County, asked if the funding plan would affect the availability of funding for other transit projects in the region. Mr. Roberts said that NJ Transit’s program maintained its current commitment to the region’s projects given the stage and expected pace of progress for these efforts.

Mr. Drabic also sought further clarification, checking to be sure that federal funds could in fact be used as the local match for a New Start transit project. Mr. Garino confirmed that certain flexible federal funds could indeed be used in this manner.

Kamal Saleh, Union County, echoed many of the comments of the others regarding support for this action for funding of the ARC project and concerns about future funding for other projects. He noted that the project would provide improved service on both the Northeast Corridor and Raritan Valley rail lines.

Sonia Frontera, Governor's Office and Commissioner Kolluri reiterated the support of the governor and NJDOT for the proposal.

Freeholder Zellman then brought up concerns about the monetization of assets mentioned earlier by the Commissioner. Commissioner Kolluri said that the Governor is still developing a plan to optimize the value of the state's infrastructure assets, but he assured the Committee that the state would never sell a single asset of the state. Freeholder Zellman expressed concerns about the idea of leasing assets as well, saying there were great concerns about the future of the New Jersey Turnpike and the Garden State Parkway and that they should not be relied on as a funding "fait accompli" for the ARC project.

Commissioner Kolluri then addressed the issue of leasing the state's assets. He said that New Jersey is researching the way Indiana and Chicago structured leases of their highways. He said New Jersey would not agree to any situation where a one-time upfront payment was made to the state or where foreign-owned companies were operating the highways. Freeholder Zellman stressed that foreign control of these assets would put the state in a vulnerable situation. Commissioner Kolluri agreed.

Freeholder Zellman then asked what other financing mechanisms might be put in place to address the need to replenish the TTF. Commissioner Kolluri said that the answer to that question would have to be developed by the Governor in concert with the Legislature. He stressed that this would be an ongoing exchange among all interested parties.

Freeholder Zellman then asked if any of the other Trustees or their representatives had any comments.

Councilman Michael Sottolano, Jersey City, said he was concerned about the use of the term "belt tightening" in reference to future transit projects, such as Jersey City's future planned Bergen Arches and Sixth Street Embankment projects. He sought assurances that these projects would move forward and receive funding in the future. Mr. Roberts explained that his use of the term "belt tightening" was in reference to certain NJ Transit programs, not specific future projects. He also noted that these projects are in very early stages and will not be ready to have their specific funding needs known for some time. Councilman Sottolano said he wanted to state for the record that those two projects should not receive funding cuts. Mr. Roberts responded that the projects have had no funding cuts because they have not yet been fully defined.

Gerald Rohsler, Morris County, stated the county's support for this action to fund ARC. He asked if New York State was providing any funding for the project. Commissioner Kolluri pointed out Port Authority of New York & New Jersey's funding commitment to the project. He then pointed out that Mayor Bloomberg of New York City has recently proposed spending billions of dollars on the ARC Tunnel as part of his congestion pricing proposal. He noted that

the state had not yet fully analyzed the proposal and had no position on the proposal at the time of the meeting.

Freeholder Elise Evans, Passaic County, while supportive of this action, also stressed concerns about funding for local projects.

Freeholder Palmer pointed out that every county in the region has an interest in various rail projects going forward and that the only way they can happen is if the ARC tunnel is built. He pointed out that Congressman Pascrell would likely help ensure that the Passaic-Bergen project moves forward. He also noted that a great deal of work had been done to ensure the support of New York City for the ARC project.

Freeholder John DiMaio, Warren County, said he fully supports this mass transit initiative. He said that the ARC tunnel would be a building block for future rail expansion in the region. He said residents cannot continue to rely only on the roadway systems.

David Widowski, Port Authority of NY& NJ, said that the Port Authority has repeatedly shown its commitment to the project from the beginning. He pointed out that the Port Authority had authorized spending \$20 million for planning, engineering and design for the project; \$75 million for real estate pre-acquisition in New York City; and up to \$2 billion for construction.

In his role as the Chairman of the New Jersey Turnpike Authority, Commissioner Kolluri stated that the authority supported the project and the funding proposal.

Rebecca Reyes-Alicea of the FTA then offered several points of clarification. She said that the FTA supported the decision to transfer federal highway funds to the transit side. She stressed that further coordination with FHWA would be necessary. She said that the proactive approach of looking for funding beyond 2011 would be considered favorably. She noted that “local match” does not mean “non-federal funds.” She stressed that the FTA would only be rating the project as a New Start applicant in June 2007, not yet evaluating it for a full funding grant agreement.

Fernando Rubio, City of Newark, voiced the city’s support for the project and the funding proposal.

Freeholder Zellman then asked those subregions who had raised concerns if they had been addressed during the discussion. Passaic, Hunterdon and Hudson counties, as well as Jersey City, all said their concerns had been adequately addressed.

Before a motion was made, Joel Weiner, NJTPA Executive Director, gave a brief overview of the action to be taken. He noted that the Committee’s vote would be an interim step, albeit a very important one, that would lead to later Board action.

Commissioner Kolluri made a motion to recommend endorsement of the resolution by the full Board of Trustees, and the motion was seconded by Essex County.

Before the vote, Kamal Saleh, Union County, asked for further clarification about where future non-federal funding would come from after 2011 when the TTF is slated to expire. Commissioner Kolluri stated that the Governor will make every effort to find a long-term solution for the TTF within the next three years.

Chairman Zellman called for a roll call vote, and the motion passed unanimously.

Chairman Zellman then announced that the next meeting of the PPC would be held on Monday, June 25.

III. Adjournment

At approximately 10:50 a.m. a motion to adjourn was made by Middlesex County, seconded by Ocean County and carried unanimously.

Project Prioritization Committee
ATTENDANCE
Teleconference
 May 7, 2007

VOTING MEMBERS	
Freeholder Susan Zellman, Chairman	Sussex County
Hon. Thomas DeGise	Hudson County
Farouk Ahmad	Bergen County
Phil LiVecchi	Essex County
Sue Dziamara	Hunterdon County
George Ververides	Middlesex County
Richard Lane	Ocean County
Kamal Saleh	Union County
Kris Kolluri	NJDOT
Richard Roberts	NJ Transit
Sonia Frontera	Governor's Office
O T H E R S	
Freeholder Peter Palmer	Somerset County
Freeholder Elease Evans	Passaic County
Freeholder John DiMaio	Warren County
Councilman Michael Sottolano	City of Jersey City
Gerald Rohsler	Morris County
Deena Cybulski	Morris County
Fernando Rubio	City of Newark
Ron Lotrecchio	Ocean County
Michael Lysicatos	Passaic County
Walter Lane	Somerset County
Tom Drabic	Sussex County
Tom Wospil	NJDOT
Jerry Mooney	NJDOT
Howard Immordino	NJDOT
Pete Garino	NJ Transit
Rich Stoolman	NJ Transit
David Widowsky	Port Authority of New York & New Jersey
Steve Brown	Port Authority of New York & New Jersey
Jen Friedberg	Port Authority of New York & New Jersey
Rebecca Reyes-Alicea	Federal Transit Administration
Joel Weiner	Central Staff
Cliff Sobel	Central Staff
Karen Shannon	Central Staff
Martin Hofler	Central Staff
Marie Della Pelle	Central Staff
Ann Ludwig	Central Staff
Kevin Twine	Central Staff
Eve Chamberlain	Central Staff
David Behrend	Central Staff

