TAPPAN ZEE BRIDGE/
I-287 CORRIDOR PROJECT

New York State Department of Transportation
Metropolitan Transportation Authority Metro-North Railroad
New York State Thruway Authority

<u>Meeting Minutes</u>

Finance Stakeholders' Advisory Working Group (SAWG) #3

August 20, 2009

Meeting Title:	Finance Stakeholders' Advisory Working Group (SAWG) #3
Meeting Purpose:	Exchange of information
Location/Date:	Besso Community Room, Palisades Center West Nyack, NY 6:00 P.M.
Attendees:	

<u>SAWG Members</u>

Suzanne Barclay	Office of Orangetown Supervisor Kleiner
Harriet Cornell	Chairwoman, Rockland County Legislature
Chris Crane	Office of Westchester County Legislator Tom Abinanti
Elyse Knobloch	Office of N.Y. State Assemblyman Adam Bradley
Barton Lee	NJ Association of Railroad Passengers
Dana Levenberg	Office of Assemblywoman Sandy Galef
Jon Marshall	Quay Condominiums
Mary Jane Shimsky	Office of N.Y. State Assemblyman Richard Brodsky
Donna Spiegel	
Neil Trenk	Rockland County Planning
Richard Ward	Trustee, Village of Larchmont Village
Arthur Winoker	

<u>Other Attendees</u>

John Bailey	White Plains CitizenNet Reporter
Judy Martin	guest of Chairwoman Cornell

<u>Project Team</u>

Michael Anderson	NYSDOT
Phil Ferguson	NYSDOT
Yvette Hinds	NYSDOT
Susan Kugler	NYSDOT
Larry Fleischer	MTA
Joe Pasanello	MTA MNR
John Bryan	NYSTA
Angel Medina	NYSTA
Tracie Sandell	NYSTA
Paul Plotczyk	WSA
Rita Campon	Parsons
George Paschalis	HSH

Paul Plotczyk, a facilitator with Work Systems Associates, welcomed the attendees, provided a brief overview of the previous two meetings, and reviewed and responded to the parking lot item from the previous meeting:

Q: There is a $4 toll charge for driving a relatively short distance of the Delaware Turnpike (Interstate 95). Was that toll subject to approval of the federal government?
A: This issue is within the purview of Delaware. However, no tolls can be collected on the interstate system without federal approval.

Mr. Plotczyk introduced Phil Ferguson (NYSDOT), Finance Study Project Manager. Mr. Ferguson discussed the objectives of the meeting: to (1) review the various ways that transportation projects are currently funded in the State of New York and (2) explore ways to fund the corridor project, while still funding existing infrastructure needs. Mr. Ferguson noted that this is the first of a two-part discussion that will continue into the next meeting, scheduled for September 10, 2009 in the same location.

Mr. Ferguson and Ms. Susan Kugler then gave the presentation (see attached).

Questions and comments included the following.

Q: You mentioned that fares, tolls, and user fees are a "leveraged amount." What did you mean by that?
A: To answer your question, we will use the NYSTA as an example. This authority raises $650 million in tolls annually. A portion of that amount is used to cover operating expenses, but a piece of it is leveraged as a pledge of revenue to sell bonds. $10 turns into $100, which can be paid back over many years.

Q: Does the $26 billion [average annual spending on state transportation projects] include spending on capital projects and operating expenses?
A: Yes.

Q: Is the proportion of capital and operating expenses constant from year to year?
A: The amount that can be spent on capital projects is determined largely by the annual funds available after operating expenses have been covered.

Q: Wouldn't municipal bonds be an ideal way to fund a good portion of the corridor project?
A: Municipal bonds are currently the core of financing in New York State. About 80% of the state's capital program is financed through the use of municipal bonds. The challenge for the team is to identify the right funding mechanism for a project that is still a few years out. We can't predict what will be the right answer then.

C: In addition to bonding, we should be looking at monies that might be available to transportation projects that are environmentally friendly; for example, you might design the bridge to include wind-capturing devices and ensuring that snow plowing salts don't enter the river.

Q: What are the current operating expenses for the bridge and, in comparison, the projected operating expenses for the replacement bridge? It may cost more to build a bridge out of composite materials as opposed to steel but, in the long run, it will cost less to maintain.

A: Currently, the bridge requires $130-150 million annually to operate and maintain, which is much more than it generates. The replacement bridge would be designed to be a state-of-the art-bridge with a significantly lower cost to maintain. This SAWG is focused primarily on the finance portion; our Bridge SAWG deals with the design portion. We will certainly keep in mind these ideas, but we haven't gotten to the point of tying the finance and design.

C: When good ideas outside the purview of the SAWG are articulated, those ideas should be captured and given to the appropriate SAWG.
A: We will continue to ensure that this occurs.

Q: What is the timetable for preparing the financing? Is there a state law that mandates when you pull this together? For example, can you start putting toll money aside now?
A: The NYSTA—through a public hearing process—has independent authority to raise tolls. We could take action in the short term without statutory approval, for instance, by changing the flow of funds, for a "lock box" approach towards funding future construction. There is no law which governs when. That is part of the overall plan still to be developed.

Q: It seems as if current tolls are "spoken for." What can be done without raising tolls?
A: Currently, NYSTA tolls are covenanted to the bondholder. Keeping tolls at current levels while dedicating some amount of revenue towards a reserve fund—or lock box—will have a substantial impact on our capital program. Ideally, a reserve fund for the bridge project would be built up using additional revenue. The finance study team is looking at tolling options as well as non-tolling options to determine where the necessary revenues for the corridor project can come from.

Q: Are NSYTA costs, per mile, lower in the Buffalo area than in the Westchester area?
A: Tolls aren't dedicated to a specific region, as expenses fluctuate depending what point a roadway is in its life cycle. For instance, an enormous amount of NYSTA resources are currently being exported from around the state to keep the Tappan Zee Bridge safe. Conversely, in the past, revenues generated from the Westchester area were exported to build the Niagara Thruway (Interstate 190).

Q: In New Jersey, the New Jersey Turnpike's cost per mile is lower in the southern half of the state.
A: That may be true, given the fewer resources required for snow plowing and number of lanes involved. It all depends how you calculate cost per mile—do you include capital costs as well as operating and maintenance costs? From purely an overhead point of view, cost per mile is certainly quite expensive in the Buffalo area, but capital needs in the southern portion of the state are quite significant. Both overhead and capital costs should be factored in for an accurate comparison.

C: Private industry would not wait 3-4 years before a new bridge is constructed, given the current level of operating expenses required. The sooner we can get this process completed, the better off we will be.

C: Parking fees are not necessarily just a local revenue decision; a decision on fees could be one that impacts the use of the replacement bridge. The NYSTA, for instance, could promote the use of mass transit if they were to provide free parking for transit riders.

Q: Regarding Tax Increment Financing Districts, what happens to those tax increases when you have negative growth in property value?
A: We will look at this with our financial adviser. It is something we will likely count on to a lesser degree. Our financial advisor is looking at the risk and potential, and as we move forward with study, we'll give it a harder look.

Q: What percentage of the project's total cost will most likely be covered by tolls?
A: At this point, we don't know. The answer will depend on how reliable the estimate for future tolling is. Once that is determined, we'll know the shortfall that will need to be covered by some combination of non-tolling options. As far as tolling, last fall's *Preliminary Financial Studies, Phase I Report* looked at a hypothetical situation that called for a $15 toll. Even with this substantial increase in toll revenue, it would still finance only a small portion of the project.

Q: Are revenues collected statewide from fees related to car registrations and inspections used for transportation?
A: Yes, all Department of Motor Vehicles fees go to transportation.

Q: Do these monies go into state-wide or regional fund?
A: Statewide.

Q: How did ARC [*Access to the Region's Core*, now known as the *Mass Transit Tunnel*] fund their project?
A: Funding for the ARC project includes a $3 billion commitment from the Port Authority of New York & New Jersey (PANYNJ) and a $3.3 billion dollar commitment from the Federal Transit Administration, with the remainder provided by New Jersey Transit and the New Jersey Department of Transportation. This outcome is unprecedented and is a result in many ways of the national economy and politics. We'll be looking further at ARC and their financial model.

C: Perhaps they should toll Interstate 86.

Q: Will NYSDOT's proposed connection of I-81 (Town of Massena) to I-87 to (City of Plattsburgh) take money away from the Tappan Zee corridor project?
A: Whatever we do on this project, it is not going to detract from any of the three agency budgets. If NYSDOT is working on making that upstate connection, they'll do it through their budget.

C: We now have the technical ability to set tolls based on weight, as opposed to number of axles. It's the fairest way to distribute cost.
Q: Does anyone charge by weight now?
A: Weigh-in-motion (WIM) technology is still a relatively new concept and currently can't be used at higher speeds. By the time our project is constructed, perhaps the technology will have caught up. It's not broadly applied at this point, save for port facilities.

C: Trucks are the cause of wear and tear on the roads, while cars have a negligible effect. Employing a weight-based concept of equity, then, would greatly increase the tolls on truckers. While cars don't cause damage, car drivers certainly benefit from traveling on safe and convenient roadways, which is why tolls are currently axle-based.
A: The Highway Use Tax is based on weight and how many miles they drive through the state. This tax is the most direct way the state tried to recoup the money to pay for the damage caused by trucks.

C: You do have some models that incorporate some of these variables, so at least we're not starting from scratch.

A: The first thing we did in the Finance Study was to comb existing databases for how to model what we need to model. We're building the framework for that, and now will continue to refine it. We started with the bridge and the corridor and are expanding the model to recognize the Thruway system and other interstates in the region. We will be conducting a detailed traffic and revenue study to see the impacts for the various toll proposals.

Q How do we reconcile a finance period of 100 years, with the possible depletion of fossil fuels and ever expanding technology? Don't we need to build flexibility into this?
A: We don't know that we need 100 years, but we're modeling the 100-year period so we can compare that to lesser years (e.g., a 10-year home mortgage versus a 30-year mortgage). How long should payments be spread out for a project this size?

Q: There is a tangible need for demographic input in the modeling. How are you factoring, for example, elasticity of demand for transportation services based on different levels of tolls into the financial model?
A: That's going to be one of the key pieces of the analysis and will be done. We don't have it yet.

Q: When the bridge was constructed, how was it financed?
A: Through bonds and toll revenues.

Q: It seems that many financial decisions need to be informed by design criteria (e.g., the substantial damage caused by trucks alleviated by a better paving surface). How are these different tracks going to be reconciled?
A: We're looking at an integrated solution. The Finance Study is currently looking at capital costs and operational maintenance costs. As the project team gets more specific, we'll refine our model.

Q: Can't the various transportation authorities consider regional toll pricing so that the financial burden is carried in a more equitable fashion?
A: It's possible.

Q: Is the New York State Bridge Authority (NYSBA) separate from the NYSTA?
A: Yes. They operate the Bear Mountain Bridge and the bridges to the north.

Q: The Newburgh-Beacon Bridge was added in 1980. How did they finance that?
A: Bond revenues.

The meeting ended at 8:15p.m.