Executive Summary

Transportation system funds are generated by a formula, which will be reinvested in New Jersey's future revenues in excess of operating and capital expenditures. PRB, the Public Benefit Corporation, collects tolls and operates the roads consistent with current operational and maintenance standards. PRB is a nonprofit corporation, operating the roads for the benefit of roadway users to lessen the burdens of government.

I. Why is this a different approach?

- PRB pays the State for the right to operate the toll roads and collect the tolls.
- The toll roads raise money through its own debt issuance to pay for the right to operate and maintain and invest in new or existing tolls.
- Allow a new model for New Jersey's transportation system by requiring future State debt issuance to be approved by voters.
- (a) fund toll road and transportation trust fund capital programs for a generation.
- (b) pay off 50% of outstanding debt - $16 billion
- Raise capital that will allow the State to:
  - Debt has become increasingly difficult to afford.
  - We now have limited ability to borrow to meet our current and future capital needs.
  - The State's operating budget is constrained by ever-increasing amounts of debt service.
  - The consequence of our debt issuance decisions:
    - We have not, however, had the courage to increase revenue sufficient to keep up with that debt.
    - The State has issued a significant amount of bonded debt to invest in capital and fund operating expenses.

II. How do we do this?

- PRB collects tolls and operates the roads consistent with current or improved safety, operational and maintenance standards.
The structural deficit is recurring expenditures. Recurring expenditures to present inability to match caused by the state's deficit.:

Challenges to Balancing New Jersey's General Fund Budget

Projected Structural Deficit ($2.5 billion)

$ in billions:

FY09: 3.3
FY08: 3.5
FY07: 3.5
FY06: 3.3
FY05: 3.2
Increase:

6.9%
2.5%
<table>
<thead>
<tr>
<th>Expense</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4.90 billion</td>
<td>$9.80 billion</td>
</tr>
</tbody>
</table>

- Post Retirement Medical
- Pension Contribution
- Debt Service

Annually Required Contribution FY2020

<table>
<thead>
<tr>
<th>Expense</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.1 billion</td>
<td>$5.13 billion</td>
</tr>
</tbody>
</table>

- Post Retirement Medical
- Pension Contribution
- Debt Service

Annual Budget Impact

Long Term Obligations

Which result in large annual budget requirements.

New Jersey has significant long term obligations.
Without a way to pay for them, the State incurred no ongoing costs, Revenue Identifies that debt never had a recurring relation to the issuance of State. Unfortunately, many decisions.

New Jersey's debt burden is one of the highest among the 50 states, and growing rapidly.
The government has targeted debt service payments on outstanding bonded indebtedness as a category of expenditure that needs to be reduced.

Annual debt service obligations require $2.6 billion per year = 7% of the fiscal year 2008 (FY08) budget.

Challenges to Balancing New Jersey's General Fund Budget
New Jersey Faces Serious Capital Investment Challenges

Share $22 million for all of their capital investment needs this year—only 1% of the next years needs

This means that all other state agencies and departments, such as Corrections and Human Services, must
environmental requirements

- 89% of the $1.1 billion is constitutionally dedicated to transportation, open space preservation and other
Investment

The state budget for FY08 is balanced at approximately $33.4 billion, including $1.1 billion of capital

Construction of the ARC tunnel, New Jersey needs to identify $3 billion of funding for the project.

Federal matching funds of $1.7 billion. Additionally, in order to maintain the federal matching funds for the
Failure to identify a consistent source of transportation funding post FY11 will jeopardize receipt of annual

This funding is not in place, then police will not be filled, roads will not be built, bridges cannot be
Transportation Trust Fund. Funding is only in place until FY11
November 15, 2007
Governor Jon S. Corzine

1. Establish new limits on State borrowing.
2. Toll schedules will be open, predictable and available to the public.
3. New Jersey citizens will retain ownership and the benefits from both initial proceeds and ongoing operations.
4. Safety, maintenance and operating standards will be provided at current or improved levels.
5. Sufficient funding to meet the long-term capital needs required to improve our roadways and reduce congestion will be provided.
6. Terms and conditions of employment for current employees and contractors will remain unchanged with prevailing wages and competitive contracting procedures retained.
7. Toll schedules will be open, predictable and available to the public.
8. There will be a substantial, open and public discussion in advance of any transaction. I will hold 2 Town Hall meetings in 2 Counties.
9. Reduce the State's bonded debt by at least 50 percent.
10. Provide permanent funding for the Transportation Trust Fund.

Address Concerns About PPBS
Governor’s Core Principles on Asset Monetization

"Any asset monetization proposal put forth by my administration will adhere to the following core principles:

1. New Jersey's roadways will not be sold; and they will not be leased to a for-profit or foreign operator.
2. Allowable uses of proceeds (reducing State debt and capital investments) will be identified upfront and subject to public and/or legislative approval with safeguards against diversion for other uses.
3. New Jersey citizens will retain ownership and the benefits from both initial proceeds and ongoing operations.
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"Governor’s Core Principles on Asset Monetization

Address Concerns About PPBS"
The State's Asset Review
Use funds received from PBC to meet the challenges of debt reduction and investment in transportation

- Achieve private sector efficiencies over time
- Fund capital investments
- Optimize total value

Benefit from the Concession Agreement

Strict financial penalties will be imposed on PBC for non-compliance with these standards limits, toll rates, through the Concession Agreement

Control core issues like safety, maintenance and operating standards, reinvestment in the toll roads and, within

Retention of ownership of the roads

With the newly created non-profit Public Benefit Corporation (PBC)

Transfer the right to operate, maintain, expand the roads and collect tolls through the Concession Agreement

Route 440 and unlock this value in the State's road assets by changing the business model

Realize the value in the New Jersey Turnpike, Garden State Parkway, Atlantic City Expressway and

The State will:

The Plan of Action to Unlock the Value in the Road Assets
Structure of a PBC

Operator of the Toll Roads
- Public Benefit Corporation
  - Members
    - Vote for PBC Board
  - Representing the Public Interest
- New Jersey Turnpike Authority

Presented by:
- PBC's Board is comprised of a majority representing shareholder interests
- Approves PBC Board of Directors nominated by PBC
- Incurs no state debt
- Operates, maintains, invests, and expands the roadways
- Monitors operating, maintenance, safety, and capital investment standards
- Oversees and enforces the conditions in the concession agreement with PBC
- Enters into concession agreement
With no outside equity investors

Through PBC debt for which the State will have no obligation

Strictly with its own debt funding (potentially from a significant use of tax-exempt bonds)

PBC initial payment will be funded:

Empower the New Jersey Turnpike Authority to manage and enforce the terms of the Concession Agreement

Be empowered with a right to vote on the appointment of PBC Board members

Representatives of communities, truckers and environmental interests (including, for instance, PCG representing the interests of the State, its citizens and transportation stakeholders (including, for instance, the sole member of the

PBC will:

Concession Agreement or pay significant financial penalties

Be responsible for compliance with detailed operating, safety and maintenance standards embodied in the

PBC will:

Concession Agreement

Retention of employees of the affected public authorities

Operate toll and concession revenues

Provide all the services required and exercise the rights granted by the Concession Agreement

Run an efficient, safe transportation network equal to or better than what exists today

Hire a professional management team to report to the PBC Board

Have a professional Board of Directors independent of the State (the PBC Board)

A New Jersey non-profit company - a Public Benefit Company – will be formed

A New Jersey non-profit company - a Public Benefit Company
State of New Jersey

1. First, go to reinvestment in the operations and maintenance of toll roads themselves and pay its debt.
2. Second, be retained for investment in transportation projects on the toll roads and service obligations.
3. Third, pursuant to a predetermination formula in the concession agreement, periodic payments will be paid to the state or a state authority to be used for transportation capital investment throughout the

Public Benefit Company Will Serve the People of New Jersey
capital investments will be made in the state transportation network.
The toll roads will be maintained, billions of dollars of improvements made on them and
improvements proceed in accordance with legislation, solvency for debt reduction and transportation.
A State Authority (The New Jersey Turnpike Authority) will manage the expenditure of
no equity returns are paid out to third parties
state benefits from future performance improvements through future annual payments
The toll roads continue to be owned by the New Jersey Turnpike Authority
allows the non-profit company to raise significant debt proceeds
A professionally run organization, with a concession agreement lenders will support
will be hired to focus on running these roads safely and efficiently
A professional, highly qualified board and management team, independent of the State,
MTC is an independent, non-profit company separate from the State
How Does This Meet Our Goals?
How is a PBC different from today's Toll Road Authorities?

- Strict financial penalties for non-compliance with maintenance and capital investment standards
- Contractually defined operating, safety
- The burdens of government
- Meeting all prescribed obligations and lessening
- Capital investment in the assets
- Efficient operations
- Management incentives for:
  - Professional, private sector management
  - Appointed officials and no vendors
  - Independent board of directors (no elected or
- New Jersey Non-Profit Corporation

State Authority

- Levels are subject to political considerations
- Operations and maintenance levels are set to preserve safety, but capital investments and toll
- Historically operated with limited funding
- No incentive compensation
- Professional government employees
- Superintendental veto of board minutes
- Politically appointed board of directors
- Governmental instrumentally
How is a PBC Different from other PPPs?

<table>
<thead>
<tr>
<th>PBC</th>
<th>Long Term Concession with Private Equity*</th>
</tr>
</thead>
<tbody>
<tr>
<td>☞ Non-Profit New Jersey Corporation</td>
<td>☞ For-profit corporate entity</td>
</tr>
<tr>
<td>☞ Independent board of directors</td>
<td>☞ Board of directors formed to include equity investors and service providers</td>
</tr>
<tr>
<td>☞ Upfront payment plus substantial periodic payments over time</td>
<td>☞ Large upfront payment, but lower payments over time, if any</td>
</tr>
<tr>
<td>☞ Upside improvements in revenues, finances and operations permit larger payments to the State</td>
<td>☞ Profits released from the corporate entity are paid to equity investors as dividends, not reinvested for public purposes</td>
</tr>
<tr>
<td>☞ Efficiencies of private sector incentives and operations</td>
<td>☞ Efficiencies of private sector incentives and operations</td>
</tr>
</tbody>
</table>

In short, with a PBC

- No leakage of excess revenues to equity investors, companies or operators
- Any excess revenues reinvested in New Jersey transportation projects
- Concession Agreement controls all operations, maintenance, capital investment and safety standards
- May be able to issue tax exempt debt

* Chicago Skyway and Indiana Toll Road PPP transactions used this structure
Myths vs. Facts
### Atlantic City Expressway: Assumes 3% Annual CPI Increases

<table>
<thead>
<tr>
<th>Year</th>
<th>0.95</th>
<th>1.15</th>
<th>1.40</th>
<th>1.60</th>
<th>1.85</th>
<th>2.05</th>
<th>2.25</th>
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</thead>
<tbody>
<tr>
<td>5.00 Toll Barrier</td>
<td>5.00 Toll Barrier</td>
<td>5.00 Toll Barrier</td>
<td>5.00 Toll Barrier</td>
<td>5.00 Toll Barrier</td>
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<td>5.00 Toll Barrier</td>
<td>5.00 Toll Barrier</td>
</tr>
</tbody>
</table>

### Garden State Parkway: Assumes 3% Annual CPI Increases

<table>
<thead>
<tr>
<th>Year</th>
<th>0.35</th>
<th>0.37</th>
<th>0.39</th>
<th>0.41</th>
<th>0.43</th>
<th>0.45</th>
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</thead>
<tbody>
<tr>
<td>1.95 Average Tip</td>
<td>1.95 Average Tip</td>
<td>1.95 Average Tip</td>
<td>1.95 Average Tip</td>
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<td>1.95 Average Tip</td>
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</tr>
</tbody>
</table>

### New Jersey Turnpike: Assumes 3% Annual CPI Increases


### Maximum Toll Permitted Toll Schedule Under the Concession Agreement

<table>
<thead>
<tr>
<th>Year</th>
<th>5.00 Toll Barrier</th>
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<th>5.00 Toll Barrier</th>
<th>5.00 Toll Barrier</th>
<th>5.00 Toll Barrier</th>
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</thead>
</table>
### Average Annual True General Fund D/S Savings

<table>
<thead>
<tr>
<th>Scenario</th>
<th>15'</th>
<th>9'5</th>
<th>600</th>
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<tbody>
<tr>
<td>1</td>
<td>0.7</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### State Bond Debt Before and After Defeasance

<table>
<thead>
<tr>
<th>Scenario</th>
<th>2</th>
<th>9'5</th>
<th>600</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>5.7</td>
<td>6.7</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Total Uses of Proceeds

<table>
<thead>
<tr>
<th>Description</th>
<th>2</th>
<th>6'0</th>
<th>600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defeasance of General Fund Supported Debt</td>
<td>5.7</td>
<td>6.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Defeasance of All General State Trust Debt</td>
<td>2.0</td>
<td>4.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total, Capital Expenditures</td>
<td>3.9</td>
<td>5.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>3.9</td>
<td>5.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Extension of Transportation Trust Fund Authority</td>
<td>2.0</td>
<td>4.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Defeasance of All Toll Road Authority Debt</td>
<td>3.7</td>
<td>4.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Initial RAC Proceeds</td>
<td>2.0</td>
<td>4.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

### Debt Leverage by RAC and Use of Proceeds (in millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>2</th>
<th>6'0</th>
<th>600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Leverage by Transportation and Debt Relief</td>
<td>3.7</td>
<td>4.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

The Funds from Monetization will be invested in...
future.
put the State on a fiscally responsible path for the
bridges needed: AND for the first time in years,
make critical investments in roads and
debt, we can pay down half of the State’soads’ value, we can access billions of dollars of the toll