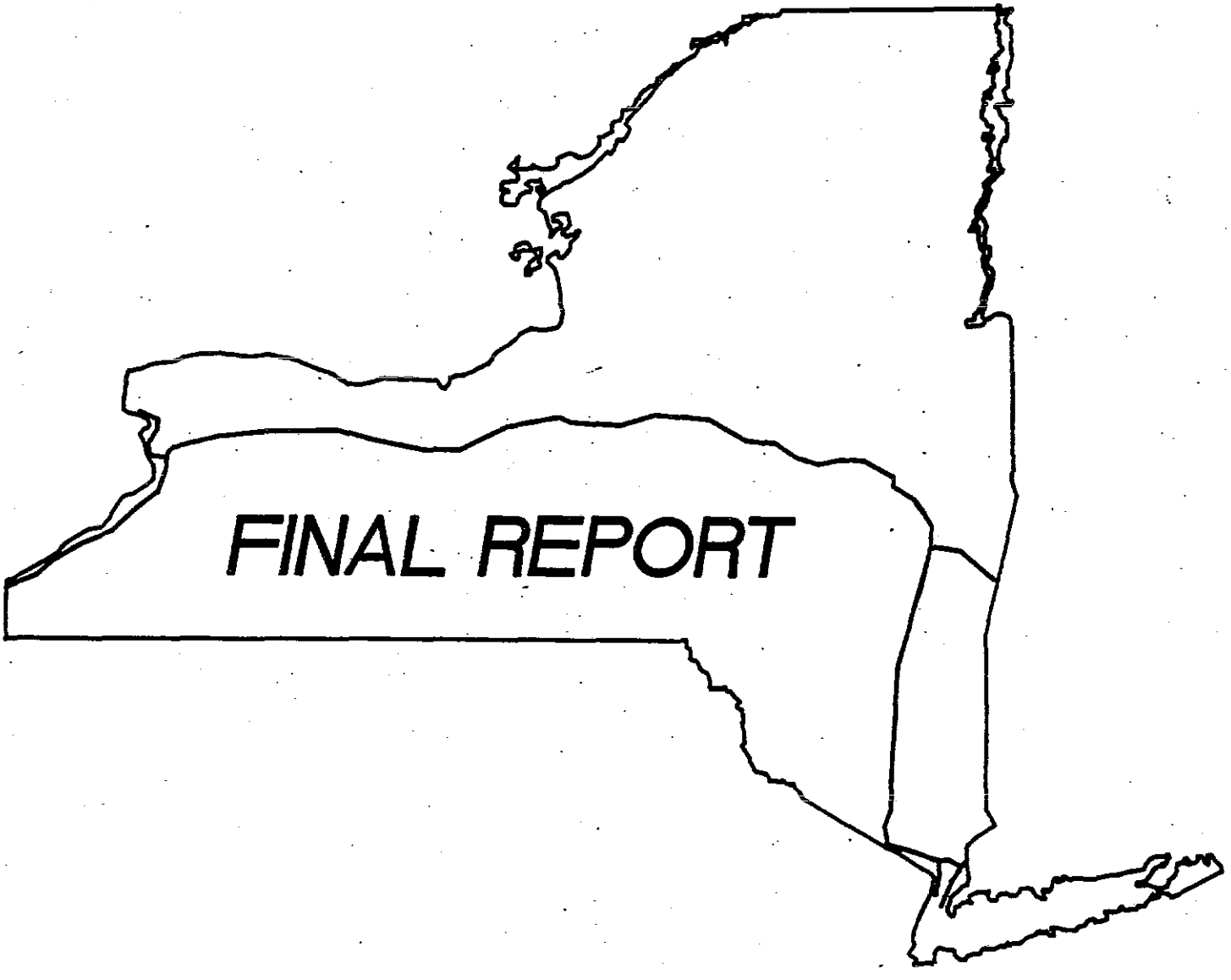
Exhibit 1

New York State THRUWAY AUTHORITY TRANSITION ADVISORY COUNCIL



New York State Thruway Authority

TRANSITION ADVISORY COUNCIL

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NEW YORK STATE

THRUWAY AUTHORITY TRANSITION ADVISORY COUNCIL

FINAL REPORT

I The Council's Purpose And Procedures

The New York State Legislature and Governor Mario M. Cuomo created the New York State Thruway Authority Transition Advisory Council in 1989 to make recommendations concerning the financing and operation of the Thruway after 1996, when the last of the bonds issued to construct the Thruway system in the early 1950s will be retired.

The legislation creating the Council asks it to examine:

- The 1982 tripartite agreement between the Thruway Authority, the State Department of Transportation and the Federal Highway Administration. (Under this agreement, the Thruway Authority became eligible for federal funds for road and bridge rehabilitation and agreed to remove tolls when all bonds are retired or repay the federal aid it had received. However, almost all such agreements made with other toll authorities have been altered to allow continuation of tolls.)
- Capital improvements necessary if tolls are removed.
- Non-capital transition issues, including personnel matters and police responsibility, if tolls are removed.
- Projections of revenues and costs through 1996 and beyond.
- The impact on state highway funding if tolls are removed, the Thruway Authority is abolished and responsibility for operating and maintaining the Thruway is transferred to the state.

The Council is a diverse group representing, as required by the legislation, a variety of interests: state and local government, business, trucking, other highway users, labor, policy planners. Eight members were named by the governor and three each by the leadership of the State Senate and Assembly.

Appreciating the central role the Thruway plays in the life and economic health of the state, and the importance of the policy decisions that await state government, the Council undertook an extensive fact-finding process. It established a study period of 20 years, 1996-2016. Beginning in June 1990 it held ten meetings and five public forums in Thruway communities from Buffalo to Westchester County.

The Council also sought proposals for a series of studies and received proposals from nine different teams of consultants. After an objective evaluation it chose for the principal financial and engineering analysis the URS Consultants, Inc. of New York City in association with KPMG Peat Marwick, The WEFA Group and Eng-Wong, Taub & Associates. For a series of other reports it turned to the Rockefeller Institute of Government in Albany and its Center for the Study of the States.

The URS study was done in three phases: identification of reasonable alternatives for financing and operating the Thruway after 1996; requirements for implementing the alternatives; evaluation of the alternatives.

The URS group identified and examined a host of issues. Among them were:

- Traffic and revenue forecasts.
- Improvements and expansions needed to carry predicted traffic volumes, and costs of improvements.
- Operating and maintenance costs; rehabilitation costs.
- Economic impacts, state, regional and local.
- Financial implications for the state, for local governments, for Thruway users.
- The level of service appropriate for a superhighway through New York State.
- The movement of goods and commerce in New York State, and the impact that various policy decisions would have on those movements.
- Concerns about the environment, safety, service and convenience.
- Cost of alterations should tolls be eliminated.
- Issues should the Thruway Authority be eliminated: personnel, work management.
- Bonding capacity.
- Emerging technologies in transportation.

The Council engaged the Rockefeller Institute to evaluate:

- The impact of the Thruway on the state's business climate.
- The personnel impacts if the Thruway becomes wholly or partially toll-free and the Authority is abolished.
- Federal and state toll policy, particularly the history of other tripartite agreements and the recent shift of federal policy toward a favorable view of toll facilities.
- Impacts on and relationships with local government, should the Thruway become wholly or partially toll-free. The Institute convened eight roundtable discussions with local and state officials to help it identify all the areas and costs that might be involved.

These studies constitute a body of information that has guided the recommendations of the Council and should, the Council believes, guide the ultimate decisions by New York State's elected officials regarding the future of the Thruway.

The Council after publishing and distributing a preliminary report of its recommendations, held hearings in August 1991, at Buffalo, Rochester, Syracuse, Albany, Newburgh, and Tarrytown. It heard testimony from 83 persons, including representatives of motorists, labor unions, truckers, contractors, transportation planners, local and state government officials and interested citizens. In general the testimony favored the recommendations of the Council as presented in its preliminary report. Transcripts of the hearings are available at the Thruway Authority headquarters in Albany.

As the scope of this effort demonstrates, the Council realizes that the future of the Thruway will be decided against the backdrop of local, state and national concerns. Just as the Thruway is a major artery in the economic life of New York and its regions, so must its future be determined in a broad context of financial considerations and policy choices.

II Historical Perspectives

Origins of the Thruway

In 1942, even in the midst of World War II, New York's leaders realized that the state's highway system was not adequate for post-war needs and ordered the planning of a superhighway through the major travel corridors of the state.

In 1944, under Governor Thomas E. Dewey's leadership, the state Legislature authorized the State Bureau of Public Works, as it was then called, to proceed with construction; Governor Dewey broke ground near Syracuse in 1946. In May 1948 the first section, four miles between Canandaigua and Victor near Rochester, was opened.

By 1950 some $25 million had been expended on the Thruway but it had become clear that the state could not manage that project along with all the other highway needs pent up during the war. A special committee of state officials from whom Governor Dewey sought advice urged that it become a toll highway operated by an independent public authority.

In 1950, the Legislature created the New York State Thruway Authority to build, operate and maintain the highway as a self-liquidating project, financed through bonds. The revenue to retire these bonds would come primarily from tolls. A board of three members was named by the governor with the advice and consent of the State Senate to establish Thruway policy.

The Authority sold $972 million in bonds to build the toll sections of the Thruway; $500 million were backed by the full faith and credit of New York State and the remainder were backed by anticipated Thruway revenues. The parts of the highway in Erie, Rockland and Westchester counties that do not have tolls were financed largely with federal aid.

In June 1954 the first toll section, a 115-mile stretch from Lowell (west of Utica) to Rochester, was opened. By the end of that year, motorists could ride on 381 miles of Thruway. The 416-mile mainline was completed in 1956, and in 1964 it was given Governor Dewey's name in recognition of his role as its early and constant champion.

Today the 570-mile Thruway is the longest continuous toll road system in the world. It passes through 152 jurisdictions: 23 counties, 92 townships, 13 cities and 24 villages.

The mainline is the backbone of the state's highway system, traversing regions that hold 75 percent of the state's population and linking 37 of the state's cities, including the nine largest. The 15-mile New England Section and the 21-mile Niagara section are New York State's heaviest-traveled links to New England and Canada respectively.

The Thruway connects directly to the Massachusetts Turnpike, I-95 in Connecticut, the Garden State Parkway in New Jersey, I-90 in Pennsylvania and the Major Deegan Expressway at the New York City line. From it or across it flow other major routes: the Adirondack Northway; I-81 which runs from Pennsylvania through Syracuse to the St. Lawrence River; I-88 which links Binghamton to the Capital District; I-390 which runs from Rochester to Corning.

In 1990 the Thruway Authority was given responsibility for the 11-mile Cross Westchester Expressway, and in 1991 it was authorized to operate 71 miles of I-84 linking Pennsylvania and Connecticut.

The Role of the Thruway

The Governor Thomas E. Dewey Thruway has become, as envisioned, the lifeline of New York. It has played a catalytic role in the state's economy and in the life of its citizens in the second half of the 20th Century similar to the role played by the Erie Canal in the first half of the 19th Century and the railroads in the second half.

Destinations once distant are now easily reached; communities and families are linked in a way not possible five decades ago; long commutes to work and college are now commonplace. In the metropolitan New York City area, up the Hudson Valley and across Upstate New York, the Thruway has changed the way people live.

As important, the Thruway has become the principal artery of commerce in New York. It is the major route of access for visitors to the state's tourist magnets: Niagara Falls, the Finger Lakes, the Adirondacks, the Catskills, New York City and the other cities that line the route.

Along the Thruway corridor are located many major employers: General Electric, General Motors, Chrysler, General Mills, Eastman Kodak, IBM, Bristol Laboratories, United Technologies and others. Near it are sited many hundreds of other firms of great significance to the state.

One of the reasons these firms are where they are is because the Thruway facilitates the movement of goods and workers. This is due partly to different rules -- only on the Thruway and a few approach roads are large tandem trailers allowed in New York today. But it is also due to the high level of maintenance and services offered.

As an example, even though the Thruway passes among cities that receive more snow than any other major cities in the United States, its pavement is almost always bare. As another example, Thruway motorists find a variety and level of services not available on other interstate highways: plazas with food, fuel and restrooms open 24 hours a day, towing for disabled vehicles, lots where tandem trailers may be made up or broken down.

Around the clock, the 289 members of Troop T of the State Police patrol the highway not only to enforce traffic laws but also to assist travelers. Schedules are managed so a trooper passes each point on the Thruway at least once every hour, day and night. (By contrast, 158 troopers "patrol the 1,000 miles of the state's toll-free interstate system...with no dedicated patrols...between 11 p.m. and 7 a.m.," the URS study reported.)

However, the Thruway Authority record is by no means perfect. It let its plazas become dowdy and its food services mediocre before finally moving to make improvements. Its relationships with local governments were often distant. In past years it was not a significant participant in designing state transportation policy.

Still, its careful attention to maintenance and service has made travel safe and convenient; it has made the Thruway a reliable and necessary service to millions of New Yorkers and our visitors.

Federal Funds Before 1991

The Federal Aid Highway Act of 1956 authorized 90 percent federal funding for interstate highways built by states. But the Thruway was largely completed by then and only its limited toll-free sections qualified for federal assistance.

The act ordered the study to estimate how much states would be owed if reimbursed for building interstate highway segments without federal help. The study, done in 1958, found that New York would be owed almost twice as much as any other state; the present-day value of reimbursement to New York would be almost $7 billion. In fact, no state received such compensation.

Under the strong and persistent leadership of Senator Daniel Patrick Moynihan (D-N.Y.), Congress added an amendment to the federal Surface Transportation Assistance Act of 1978 that made the Thruway eligible for federal "I-4R" funds (resurfacing, restoration, rehabilitation and reconstruction) if the toll road operator, the state and the Federal Highway Administration agreed that tolls would end once all outstanding bond debt was retired. If not, any I-4R funds received by the toll road would have to be repaid.

In June 1982, the FHWA, the New York State Department of Transportation and the Thruway Authority entered into such an agreement. It enumerated eight sections as separate toll roads and stipulated that each would become free once the Thruway bonds were retired. If not, any I-4R funds spent on those particular segments of highway would be returned.

The Surface Transportation and Uniform Relocation Assistance Act of 1987, however, gave the federal government the right to withhold future highway aid funds, in those cases where tolls had been continued, without regard to which sections had previously received funds. Still, if tolls were removed from some segments of the Thruway but retained on others, the effect on the amounts to be repaid could under existing law be beneficial to New York.

To date, the Thruway Authority has obligated about $230 million in I-4R funds. At the current level of federal funding, it will have received about $335 million by 1996.

III The Current Context

The Thruway

In 1990, automobiles and trucks traveled almost 6.3 billion miles on the Thruway -- an average of 17.2 million miles a day.

Tolls totaled $291 million. Passenger vehicles paid $183 million and commercial vehicles $108 million, about 37 percent of the total. Compared with 1989, toll revenues were up less than $1 million; commercial tolls actually decreased more than $3 million and were still headed down in early 1991. These results are considered consistent with the recession affecting the Northeast.

About one-third of the toll revenue came from out-of-state sources, a particularly significant statistic for New Yorkers.

The toll rate for using the mainline Thruway is 3.1 cents a mile for cars and 12 cents for five-axle trucks, which are the largest categories of users. These rates are substantially lower than the turnpike rates in Massachusetts, New Jersey and Pennsylvania and higher than in Ohio.

The Authority spent $147 million for operating and maintaining the Thruway, of which $42 million was used for toll collection. Another $124 million was earmarked for the highway and bridge rehabilitation program and equipment replacement while an additional $6 million was used for service area reconstruction.

More than $7 million is spent each year on snow and ice control alone.

More than $42 million was spent in 1990 on debt service. Of the $972 million in bonds issued to build the Thruway, about $211 million were outstanding on June 30, 1991 -- $100 million in revenue bonds and $111 million in state-guaranteed bonds.

The Thruway Authority in 1990 had about 3,400 employees, more than 2,700 of them full-time (many toll collectors work part-time). More than 1,300 worked on maintenance, which is about twice as many maintenance workers per lane mile as the State Department of Transportation can deploy on other interstate highways. Such manning permits close attention to preventive maintenance.

Support of Troop T, fully paid by the Thruway, cost more than $17 million in 1990.

In 1988, the Authority began a $1.7 billion rebuilding program to make sure the system is in good shape in 1996. The bridge and pavement reconstruction and rehabilitation program is designed to improve the condition of every section of the Thruway and to reflect major system changes such as the I-287 connection in the Suffern area which is scheduled for completion in 1994.

It also is in the midst of a program of some $140 million with the Marriott and McDonald's corporations to upgrade the appearance and the services of the 27 existing plazas. Two new plazas also will be built. The plazas will have new and more architecturally pleasing buildings and, it is expected, each will offer at least two kinds of food service.

The New York State Department of Transportation

The State Department of Transportation faces far broader responsibilities and bleaker fiscal realities than the Thruway Authority. It maintains 14,959 miles of highways and 7,744 bridges, facilities of every description in varied types of environment. It also gives assistance to local highway and bridge programs.

But its resources from the federal government are dwindling in proportion to its burden. And the DOT has estimated that when funds made available by the Rebuild New York Transportation Bond Act of 1988 are expended in 1993, the gap between revenues and highway and bridge needs could exceed $1 billion a year. While the Legislature and governor have just created the state's first dedicated highway and bridge trust fund, the revenues that will flow into the fund are expected to close only part of that gap.

The Council believes that the severe problems of adequately funding the state's transportation systems cannot be separated from the question of how the Thruway should be supported in the future. Indeed, the legislation creating the Council requires that it consider how a toll-free Thruway would affect "the overall future of state highway funding."

Federal Highway Policy

Decisions regarding the Thruway also are affected by recent shifts in federal policy.

As noted previously, the federal Surface Transportation and Uniform Relocation Assistance Act of 1987 toughened the repayment requirement for tripartite agreements if tolls were continued after bonds were retired. Yet every state that has sought relief from that requirement has been successful, the Rockefeller Institute reports.

For example, the West Virginia Turnpike Commission received permission to continue tolls without paying back $659 million in federal funds. The Maryland Transportation Authority won the right to continue tolls at the Fort McHenry Tunnel without paying back $706 million.

In New York, the State Bridge Authority accepted federal assistance in 1973 for building the south span of the Newburgh-Beacon Bridge and agreed to remove tolls when all bonds were retired in 1990, or give back the federal funds. Since the Newburgh-Beacon Bridge carries about half of the traffic on all its bridges, the Bridge Authority subsequently won permission to continue the tolls and use excess revenues to support its other bridges.

Now the Bush administration apparently wishes to go beyond this case-by-case approach. Last December, Secretary of Transportation Samuel Skinner said the Thruway should be allowed to continue tolls after 1996. In the administration's proposal for 1991 reauthorization of surface transportation legislation, it urged that toll facilities be permitted to continue tolls beyond the recovery of capital costs without reimbursement of federal aid.

The Senate transportation legislation passed in June 1991 provides that "at the request of the non-federal parties" the Secretary of Transportation "shall allow for the continuance of tolls without the repayment of federal funds." Legislation that has been favorably reported by the House Public Works and Transportation Committee contains a similar provision.

Other signs suggest that federal policy is growing more hospitable to toll financing. The 1987 act authorized 35 percent federal funding for construction of new toll facilities in pilot projects in nine states. The new Senate legislation would make such funding more available. It also would permit up to 80 percent federal funding for rehabilitation of existing toll roads, or even for conversion of toll-free roads to toll roads if they are not on the interstate system.

Several states, with shrinking revenues and burgeoning human needs that crowd out infrastructure maintenance, share this newfound enthusiasm for toll financing. California (which has long resisted toll highways), Virginia and other states are moving forward with plans to allow the private sector to build and operate toll roads, the Rockefeller Institute reports.

IV The Path To Recommendations

The Council considered five discrete alternatives representing a broad range of policy options for the future financing and operation of the Thruway. All projections are in 1991 constant dollars; it is expected that the rate of traffic increases will fall below the rate of inflation and that tolls will be adjusted periodically to meet cost inflation.

A. Continue current levels of maintenance, operations and service, which without debt service payment should permit lower tolls.

B1. Eliminate tolls and reduce the level of maintenance, operations and services.

B2. Eliminate tolls and maintain the current levels of maintenance, operations and services.

C. Continue current levels of maintenance, operations, services and tolls, and use revenues above Thruway needs for non-Thruway and/or expanded Thruway transportation.

D. Modify the Thruway to favor local urban area traffic by reducing or eliminating tolls and improving the capacity of selected sections while increasing non-commuters' tolls to offset revenue loss.

The URS tested and compared these alternatives for a number of factors: traffic, need for capacity improvements, revenue required, revenue generated, tolls, fiscal impact at state and local levels, bonding ability, economic development, environmental concerns, commercial use and movement of goods, level of maintenance and services.

The most pronounced differences among the alternatives were found in traffic levels, toll levels, maintenance levels, statewide financial impacts and costs for local government.

Traffic

Under current conditions (Option C), URS estimates, Thruway traffic will increase an average 1.9 percent annually through the year 2016. If tolls were continued under Options A or D, the variations in that estimate would not be significant.

Under no-toll Options B1 and B2, it is estimated, there would be an additional one-time increase of approximately 14 percent within a short time after toll removal. This increase would vary significantly across the Thruway, ranging up to more than 75 percent in a few urban areas.

If tolls remain at the Tappan Zee Bridge in an otherwise toll-free Thruway system, the overall increase in traffic is expected to be about 12.5 percent.

Capacity Improvements

The URS study notes that some of the barrier and toll-free sections of the Thruway have high traffic volumes today; indeed, "parts of the New England section and the mainline between interchanges 50 and 54 (Buffalo) are already operating at capacity; it is assumed that these sections would be improved."

In all alternatives, traffic growth on the Westchester, Rockland and Erie County sections of the Thruway is expected to exceed capacity early in the forecast period; in the Albany, Syracuse and Rochester areas, later in the period. "Motorists will frequently encounter congested conditions ....", URS reported.

The probable cost of capacity improvements is not greatly different among the various alternatives, but the source of funds is. Under Options A, C and D, improvements eventually would have to be made to handle the increased traffic, and paid for by toll revenue. Under toll-free Option B, improvements would be made and paid for from other revenue sources.

Under Option B1, a lower standard of maintenance and operation would be encountered and motorists using the system would experience greater peak period congestion and delays on some urban segments.

Tolls

Options B1 and B2 provide no tolls.

Option A (continuing the current level of maintenance, operations and services) could, upon elimination of debt service and with growth in traffic, be accomplished at somewhat lower toll rates.

Option C (continuing current maintenance, operations, services and tolls) could generate, with the disappearance of debt service, a modest surplus in 1996 that could become a substantial surplus with growth in traffic by the year 2016.

Estimating the drop in tolls under Option A or the surplus in Option C is uncertain because inflation, traffic growth and other factors are uncertain. In either case, however, the amounts would be small in the early years of the 20-year forecast period and could be substantial in the later years.

Option D presumes lower or no tolls for urban area users, counterbalanced by higher rates for other users.

Maintenance and Service Levels

All alternatives but B1 assume that the current high levels of maintenance and policing will continue. Effects of that option, URS indicated, would include less snow and ice removal, less policing, less attention to the appearance of the Thruway.

Statewide Financial Impacts

The URS analysts concluded that Option B1, with no tolls and reduced levels of maintenance, operations and services, would leave a shortfall of more than $160 million a year, averaged over the 20-year forecast period. Option B2, no tolls and current standards, would leave an annual shortfall of at least $260 million. These shortfalls would require the use of revenues from the state's general fund and new or increased taxes or fees.

Options A and D would not cause any appreciable change in state finances because in both, tolls would be tailored to meet the goals.

Option C, current tolls (raised to match inflation) should generate surplus funds each year, ranging from very modest in the early years to more substantial in later years. Decisions would have to be made regarding the use of those monies.

As for revenue bond financing, the potential would be enhanced under Option C. It would not be possible under Option B because there would be no toll revenue.

The URS calculations assume in each case that Thruway concession revenue, about $21 million a year, would be used on the Thruway. If tolls are eliminated this assumption should be reviewed.

Costs for Local Governments

The Rockefeller Institute found that the elimination of Thruway tolls would leave Thruway neighbors with about $735,000 in new annual costs, $14.7 million over the 20-year study period. These amounts are included in the Option B shortfalls noted previously.

While these amounts do not loom large in a statewide context, communities already straining to meet their highway responsibilities would be hard put to absorb additional burdens. Further, the impact would be highly disproportionate, falling most heavily on Rockland, Westchester, Erie, Niagara and Chautauqua County communities.

The Thruway currently spends about $475,000 a year or $9.5 million over 20 years for lighting the Castleton-on-Hudson Bridge near Albany, the Tappan Zee Bridge, the New England Thruway in Westchester County and The Bronx, other parts of the Thruway in Westchester County and in the Buffalo/Niagara area. To the extent the state would not assume those costs, localities may be faced with them.

The Rockefeller Institute calculated that local governments could have to absorb up to $3.8 million for maintaining bridges over 20 years. Under current law the Thruway cares for the bridge structure while the local government cares for the pavement, sidewalks, railings and slopes. In actuality, the Thruway Authority often waives the local cost of bridge rehabilitation if localities agree to close the bridges so work may proceed more quickly and efficiently.

Were the Thruway to become toll-free, the state would be responsible for maintaining the bridges but it would be most unlikely to be able to forgive the local costs.

The Buffalo Division of the Thruway has 103 of the 212 bridges. Further, it has the highest percentage of bridges that will require extensive work over the next 20 years.

Finally, the Thruway reimburses local governments that provide emergency services: $45 for each ambulance call, $100 for the first fire company call and $65 for each subsequent call. In 1989 such payments amounted to $71,000. These amounts are generally and justifiably considered inadequate.

Capital and Other Costs of Converting to a Toll-Free System

The minimum work to convert the Thruway to a toll-free highway would include the removal of toll booths and restriping of toll plaza pavement. This work would cost $16 million, it is estimated. If additional modifications, such as removal of excess pavement, reshaping of shoulders and rebanking of ramps, were desired, the costs could run to $38 million.

If legislation were passed to allow tandem trailers to continue using the Thruway, the lots where they are made up and broken down would have to be revamped. They are often located next to toll plazas; the trucks can cross opposing lanes to get in or out of the lots because all traffic stops at the toll booths. Without the toll booths, extensive design changes would be necessary to allow trucks to enter the highway. This, it is estimated, would cost $66 million.

If the Authority were abolished, more than 2,100 full-time employees would be laid off, it is expected. This would leave up to $118 million in continuing personnel costs -- health insurance for retirees and for employees for a limited period, union benefits, unemployment insurance -- that would have to be funded.

Other Considerations

The URS team tested the hypotheses that toll elimination would generate a burst of new economic activity and found it would have only a negligible impact. In fact, statewide employment might go down a little because more than 2,700 Thruway employees would lose their jobs.

Nor would any of the other courses of action have a significant impact on New York's economy.

Likewise, the thought that a policy of encouraging new interchanges probably would generate economic development was tested. Analyses by six economists familiar with the Thruway corridor showed that "the impacts would be small and would represent a shifting of economic activity within a region rather than generating new economic activity."

None of the alternatives for the future of the Thruway, the URS analysis found, would appreciably alter the movement of trucks and goods or the choices made among truck, rail or barge modes.

And none of the alternatives would produce environmental effects markedly different from current effects.

Business Use

The Rockefeller Institute report on the Thruway's impact on the state business climate proved particularly helpful to the Council.

The Institute surveyed a sampling of trucking and other business firms. By a margin of three to one, they said that even though tolls make Thruway travel more expensive than travel on competing routes in the state, the benefits of using the Thruway outweigh the costs.

A large majority (77 percent) of respondents said they believed that the Thruway as currently operated has a positive effect on the state's business climate. Almost three quarters put a high value on the police coverage of the Thruway and the 24-hour fuel and food service.

The Forums

The Council was deeply impressed by the comments it heard at the various forums it sponsored. Speakers cited the fact that the system pays for itself, said it helps the state's economy and supported its high maintenance standards. A message frequently heard was the importance of continuing those standards, thus fostering safety and efficiency in travel.

Some of the municipal officials who testified expressed the concern that if tolls are eliminated, communities would inherit new costs they could not afford.

The Council heard some sentiment for removal of commuter tolls.

For the most part, however, forum speakers supported the user fee principle and the Thruway's high standards.

The Hearings

The Council received much thoughtful comment at the six hearings it held on its preliminary recommendations. Almost all of the 83 speakers agreed that the Thruway is an invaluable asset to the State of New York, that it is considered to be well run and well managed by the Authority and that the current high levels of maintenance, operation, and services must be continued.

Most speakers agreed that the state is not financially able to operate the Thruway in the manner to which its users have become accustomed without imposing new or additional taxes. They indicated a clear preference for continuing tolls, and for continuing the Authority as the operating entity.

Another message was that the revenue from Thruway tolls must be dedicated to uses closely connected to the transportation needs of those who pay the tolls -- the Thruway users.

A number of local government officials reinterated the fear that local governments would incur unsupportable additional costs if tolls were lifted, and some speakers urged the creation of commuter toll-free zones.

Trucking industry representatives expressed concern that the industry was paying three kinds of fees for use of the Thruway: the fuel tax and the ton-mileage tax in addition to tolls. They argued that no other tollway in the Northeast imposes such a burden on the trucking industry and that the maintenance of the Thruway is adequately supported by the toll.

V Findings

Having received and accepted the several reports it had commissioned, having weighed the comments received from public officials and private citizens in correspondence, forums and hearings, having itself debated these matters at length, the New York State Thruway Authority Transition Advisory Council makes the following recommendations:

1. **The high level of service on the Thruway should be continued.**

   As the Rockefeller Institute notes, the Thruway is "one of New York State's largest and most significant fixed assets." It would be wrong to let that asset depreciate. The vigorous preventive care, the rapid removal of snow and ice, the constant patrolling, are all critical to the rapid movement of goods and the ease of long-distance travel.

   In addition, such care has a financial reward. According to the URS report, "where needed maintenance and rehabilitation have been deferred" the consequence is an increase in the cost of projects when finally implemented. "Therefore, the total maintenance plus rehabilitation cost over the life cycle of a facility will be greater, in all likelihood" when continuous good conditions are not maintained than when they are.

2. **Thruway tolls should be continued.**

   The Thruway can be made toll-free but it cannot be made free. Fundamentally, the choice we confront is the choice between tolls and taxes.

   The Council believes tolls are the better choice. Toll financing is stable, predictable and protected. It would be ironic if in the very year the state of New York created its first dedicated highway and bridge fund, this Council were to recommend that the fund dedicated to operate and maintain the Thruway be abandoned.

   Toll financing is equitable; it is not a tax, but a user fee based on the principle that those who directly benefit from a service ought to pay for it.

   Tolls provide the revenue for high-quality maintenance and service; one result is a good safety record.

   Tolls obviate the need for the state to select one of two unappealing options: end tolls and find $260 million a year somewhere else to operate the Thruway at present standards, or end tolls and find $160 million a year to operate it at reduced standards.

   Tolls prevent new costs from falling on local governments; the Council believes the state ought not to be adding to the financial burden on localities in these difficult times.

   Tolls pull over $90 million a year from out-of-state pockets into maintaining a major New York asset.

   Finally, tolls will in all likelihood not require the repayment of millions of dollars in federal aid as once thought; federal policy on this matter has clearly changed.

The Council carefully considered the option of favoring local urban area traffic by reducing or eliminating tolls for frequent users and making up the lost revenue from higher tolls on other users.

But it did not feel it could recommend the continuation of tolls for part of the system and the elimination of tolls for another part of the system -- particularly the heavily-traveled urban sections that require the greatest care because they suffer the greatest deterioration.

Purchasers of commuter books already travel at a substantial discount, it was noted. But if all commuter tolls were eliminated, the loss estimated by the Authority would range between $25 million and $50 million a year.

Further, if tolls were lifted or eased in urban areas, one result might be more traffic, a consequence which would conflict with national clean-air goals and requirements. Such a policy would be contrary to congestion (peak period) pricing and other traffic management principles designed to get more from existing systems, rather than add more miles of concrete.

The Council calls attention to the fact that the trucking industry bears an unusual burden of tolls and taxes for use of the Thruway as compared to the other toll roads in the Northeast. It also notes that commercial revenue has decreased since passage of the ton-mileage tax. The Council is concerned that this tax burden may harm the Thruway's status as a principal commercial corridor linking the Midwest and the Northeast. It therefore suggests that policy-makers consider undertaking a review of the ton-mileage tax as it relates to Thruway use.

3. **The Thruway Authority should remain the operating body for the Thruway and its power to incur bonded debt should continue.**

The Council believes that a public but independent authority has proved to be the best way to protect toll revenues and insure they will be used in a way that benefits the people who provided them.

It also believes that the Authority has the capacity to conceive and carry out projects quickly and efficiently. The investment with Marriott and McDonald's to build modern service plazas that will increase revenue is a current example of the Thruway's ability to meld private and public parties into an enterprise of public interest.

4. **The Thruway Authority should commit revenues in excess of its needs, once all bonds are retired, to meet transportation needs related to the Thruway corridor.**

While it is speculative to discuss excess revenues at a time when revenues are falling below projections and costs are rising, it is reasonable to assume that during the 20-year planning period the Thruway can generate more funds than it needs to operate.

The state should resist the temptation to turn the Authority into an automatic teller machine. That course would prevent needed investment in the Thruway and sever the link between what motorists pay and the service they get on the Thruway. Instead, the use of any excess funds should be limited to priority transportation needs in the Thruway corridor.

5. **The Authority's potential for influencing economic development should be recognized and put to use in the Thruway corridor.**

For example, an economically viable new interchange can be built only under rigid constraints of revenues and costs under current Authority bond covenants. With a more flexible test that considers the broader benefits, the Authority could work with the private sector and state and local governments to add new interchanges with significant local economic development potential.

The Thruway Authority has the ability to join with other interests to participate in projects with economic promise. It should be authorized and encouraged to seize those opportunities.

6. **The Thruway Authority should be more sensitive and responsive to local governments, and improve its coordination with other parts of New York's transportation network.**

The Council's forums and the Rockefeller Institute's roundtables revealed a certain amount of feeling among local officials that Thruway officials pay them scant heed until a mutual problem arises, then tend to address it unilaterally. An example is the low rate of reimbursement for fire and ambulance service, long regarded as outdated by both sides yet still unchanged.

Given the fact that there are relatively few access points to the Thruway, there is perhaps an attitude that local relationships are not often relevant. But if the Authority is to play a larger role in its corridor, it will have to play that role in cooperation with local governments. For example, where conditions on off-Thruway routes might be improved by studying Thruway and non-Thruway improvements concurrently, this should be encouraged.

One useful forum would be the metropolitan planning organizations (MPOs) in urban and suburban regions along the Thruway. Thruway Authority participation is now particularly important because the transportation reauthorization bill passed by the Senate gives MPOs a larger role, particularly with respect to clean air attainment.

Also, coordination between the Authority and the state Department of Transportation regarding the state master plan for transportation should be improved.

7. **The Thruway Authority should interpret its commitment to mobility as a commitment to move people and goods, not just vehicles.**

The Council, noting the State Department of Transportation's leadership in crafting new mobility solutions for the state's highway congestion problems, would encourage greater enthusiasm for innovation in the Thruway Authority. It believes that at a minimum the Thruway Authority should provide more park-and-ride lots and multiple-occupancy vehicle (MOV) lanes where warranted.

The Thruway Authority should continue its support of state initiatives regarding magnetic levitation transportation (the "maglev" system in which vehicles are levitated and propelled by magnetic forces at speeds up to 300 miles an hour). The Authority should be a key player, because a maglev right-of-way could be the Thruway right-of-way.

8. **The Authority should press forward with electronic toll and traffic management (ETTM).**

This new technology is based on a computerized system that automatically reads an identification sensor on the vehicle as it moves through a checkpoint, often without stopping, then debits the owner's account. The Authority is testing various ETTM systems on the Thruway and is committed to begin installing a system in 1992. It already is in use on toll facilities in several states and on the bus lanes at the Lincoln Tunnel.

Its use promises great benefits: less time waiting to reach the toll booth, less lost time for travelers, less air pollution, greater efficiency and lower costs in toll collection.

VI Concluding Comments

It is appropriate that this first phase of New York State Thruway life end as it began, with a discussion of financing a superhighway in a statewide context.

New York State had early recognized the need for a great new highway flowing up the Hudson and across Upstate New York but a committee of engineers had advised in 1945 that it could not be a toll highway; the collection of local tolls was deemed impractical and the volume of long distance travel was deemed insufficient. So it was started as a state project.

But by 1950 the limits of the state's resources and the demands of America's Auto Age had become clearer. A committee of state officials reported to Governor Dewey that the Thruway "would become the backbone" of the state and interstate highway systems, it would "result in actual dollar savings in motor vehicle operating costs," it would "relieve congestion," "reduce accidents" and lower the cost of moving commodities.

Therefore, they said, "it can command a premium for its use" and it "should be paid for by its users and not from current general tax sources."

Today, as the period of paying for the original construction nears its end, we find that the Thruway has delivered all that had been envisioned and more. The users have paid and, we believe, have been well satisfied with the Thruway bargain.

Many of us, it is true, have looked forward to the day when we could drive across the state without paying tolls; many of us considered them an extra tax on living in Upstate New York.

Yet faced with the day when that "tax" could be killed, the prospects are dismaying: the risk of an increase in other state taxes, the deterioration of a major state asset, the loss of a substantial contribution made by out-of-state motorists to its operation and maintenance.

Contemplating such consequences, we would consider it ironic and unfortunate to pull down the structure that has operated a critical transportation link with such success for four decades.

Instead, we return to the principle articulated by Governor Dewey's trusted advisors in 1950: "We believe it is proper that the Thruway should be paid for by its users ...."

We therefore recommend to the Legislature and to the governor that the tolls, the quality and the safety of the Thruway be maintained. We recommend that the Authority, with its bonding ability, be retained to meet the highway transportation needs of New Yorkers along the Thruway corridor into the next century. The Council expects and strongly desires that the Authority and the NYS Department of Transportation continue to work cooperatively to achieve this goal.

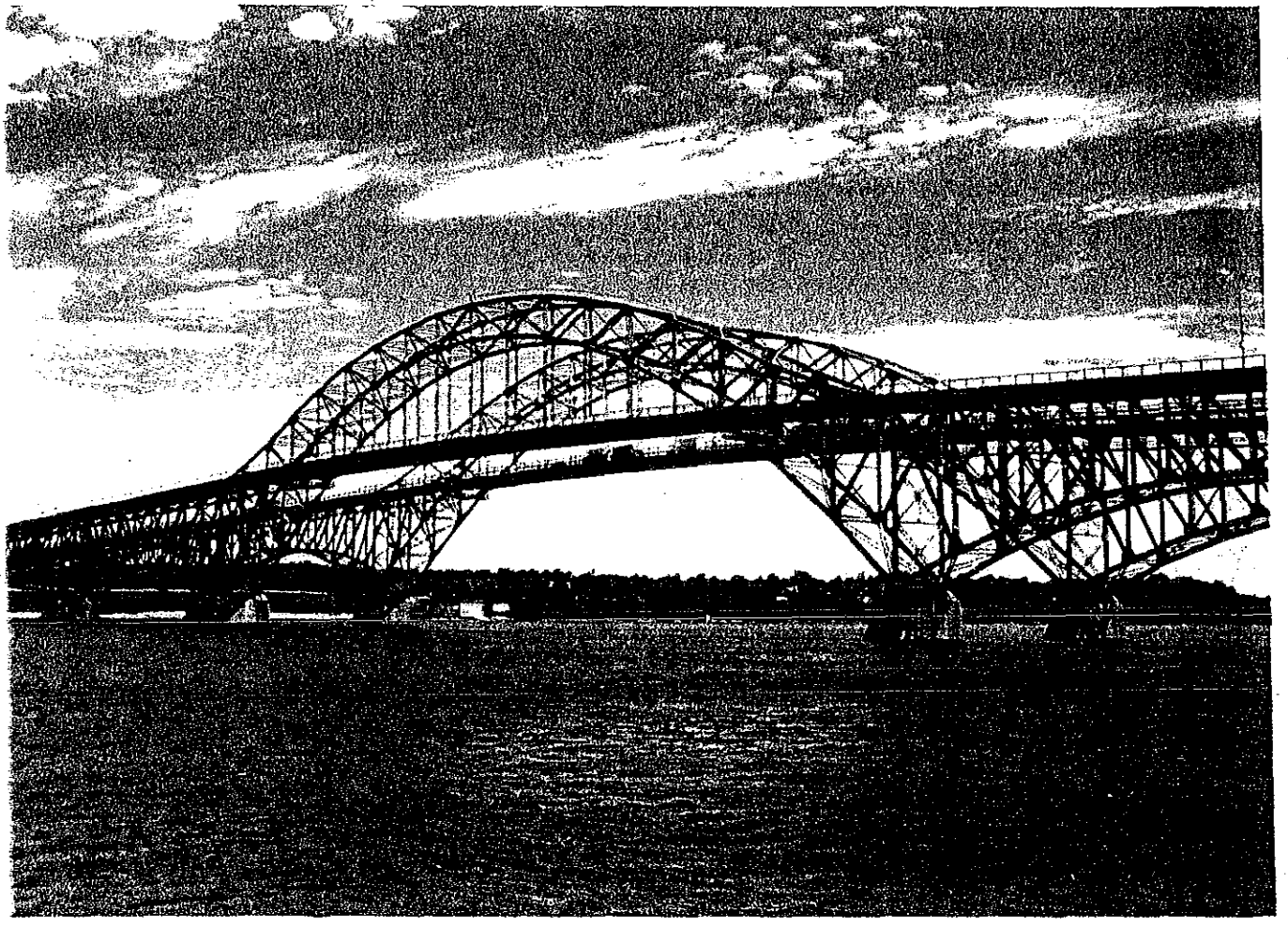


Exhibit 2

Operating Expenditures for 2000 through 2009
NYS Thruway Authority

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual
MAINTENANCE:										
Highway	$ 25,000,585	$ 25,217,634	$ 34,798,190	$ 34,293,253	$ 32,232,903	$ 34,108,853	$ 37,783,491	$ 41,007,752	$ 38,027,369	$ 43,952,696
Highway and Equipment	17,970,290	18,648,229	20,756,890	22,192,906	24,837,761	26,398,793	28,031,515	29,940,712	31,997,746	30,600,438
Snow and Ice Control	9,575,515	8,940,772	9,782,123	11,341,915	12,004,221	14,951,626	8,207,239	18,985,965	18,155,916	15,533,402
Headquarters and Division Staff	9,112,303	11,060,507	12,503,552	13,391,009	16,221,891	15,910,905	17,110,497	17,500,386	19,574,193	18,556,262
Buildings	10,951,276	11,787,867	13,177,465	12,913,873	13,874,689	14,675,431	14,776,121	16,526,965	16,241,518	19,347,576
Bridges and Structures	9,288,825	7,850,806	19,554,339	19,360,586	20,520,432	17,514,800	15,899,708	19,282,756	19,107,678	22,832,693
Toll Equipment	3,119,694	3,123,132	4,111,298	3,965,093	4,651,014	4,968,218	5,108,977	5,486,207	5,324,149	5,640,882
TOTAL MAINTENANCE COSTS	$ 85,018,488	$ 86,628,947	$ 114,683,857	$ 117,458,635	$ 124,342,911	$ 128,528,626	$ 126,917,548	$ 148,730,743	$ 148,428,569	$ 156,463,949
OPERATING:										
Toll Collection	$ 65,993,028	$ 68,642,032	$ 70,422,679	$ 72,245,534	$ 76,351,205	$ 78,314,954	$ 83,777,610	$ 81,497,893	$ 80,713,902	$ 78,858,111
Administrative and General	22,607,007	22,313,813	24,807,397	25,925,646	37,036,066	30,703,393	41,710,424	34,308,336	35,674,129	30,637,008
Policing	29,854,426	32,859,118	30,222,112	34,054,101	38,234,673	45,280,901	45,875,690	46,638,431	48,264,958	50,906,749
Finance and Accounts	9,382,080	9,453,966	9,575,992	10,321,557	11,459,340	11,830,536	12,345,587	14,554,246	16,312,145	17,392,291
Traffic Administration	8,745,171	9,229,172	10,566,930	12,484,120	12,805,620	12,646,933	13,086,276	13,237,394	12,387,904	12,392,687
TOTAL OPERATING COSTS	$ 136,581,712	$ 142,498,101	$ 145,595,110	$ 155,030,958	$ 175,886,904	$ 178,776,717	$ 196,795,587	$ 190,236,300	$ 193,353,038	$ 190,186,846
MAINTENANCE AND OPERATING COSTS	$ 221,600,200	$ 229,127,048	$ 260,278,967	$ 272,489,593	$ 300,229,815	$ 307,305,343	$ 323,713,135	$ 338,967,043	$ 341,781,607	$ 346,650,795
Special Expense-Early Retirement Surcharge		-	7,655,894	-	-	-	-	-	-	-
GRAND TOTALS	**$ 221,600,200**	**$ 229,127,048**	**$ 267,934,861**	**$ 272,489,593**	**$ 300,229,815**	**$ 307,305,343**	**$ 323,713,135**	**$ 338,967,043**	**$ 341,781,607**	**$ 346,650,795**
Capital Program										
Highway/Bridge contract	$ 135,673,648	$ 161,163,917	$ 146,499,849	$ 141,663,376	$ 141,594,719	$ 80,888,942	$ 154,332,487	$ 226,446,473	$ 261,624,267	$ 239,717,842
TWY forces	24,646,526	24,290,418	11,182,902	16,940,642	16,531,727	16,228,455	24,909,757	40,898,403	27,134,657	19,911,570
	160,320,174	185,454,335	157,682,751	158,604,018	158,126,446	97,117,397	179,242,244	267,344,876	288,758,924	259,629,412
Equipment & Facilities										
contracts	2,499,192	5,310,399	3,310,757	7,567,212	7,567,212	1,031,950	17,865,890	27,564,115	17,909,520	11,316,245
TWY forces		2,291,990		4,048,856	4,048,856	4,369,035	4,712,803	3,934,969	3,182,090	4,709,726
Equipment	29,728,497	40,954,560	33,802,867	25,464,354	25,464,354	21,931,012	28,352,167	27,542,142	15,109,377	19,411,048
	32,227,689	48,556,949	37,113,624	37,080,422	37,080,422	27,331,997	50,930,860	59,041,226	36,200,987	35,437,019
Total TWY Capital & Equipment	**$ 192,547,863**	**$ 234,011,284**	**$ 194,796,375**	**$ 195,684,440**	**$ 195,206,868**	**$ 124,449,394**	**$ 230,173,104**	**$ 326,386,102**	**$ 324,959,911**	**$ 295,066,431**
Economic Dev - Mandated Projects	7,929,141	11,166,632	11,366,151	4,880,263	4,880,263	1,347,701	802,121	4,161,402	1,383,718	15,225
Canal capital & Equip	33,187,655	37,928,113	27,077,635	28,435,115	28,435,115	19,661,050	13,551,613	40,035,476	28,879,715	26,130,426
Total Capital Program	**$ 233,664,659**	**$ 283,106,029**	**$ 233,240,161**	**$ 228,999,818**	**$ 228,522,246**	**$ 145,458,145**	**$ 244,526,838**	**$ 370,582,980**	**$ 355,223,344**	**$ 321,212,082**

Ten Year Average	Total 10 Years	10 Year Average
MAINTENANCE:		
Highway	$ 346,422,726	$ 34,642,273
Highway and Equipment	251,375,280	25,137,528
Snow and Ice Control	127,478,694	12,747,869
Headquarters and Division Staff	150,941,505	15,094,151
Buildings	144,272,781	14,427,278
Bridges and Structures	171,212,623	17,121,262
Toll Equipment	45,498,664	4,549,866
TOTAL MAINTENANCE COSTS	1,237,202,273	123,720,227
OPERATING:		
Toll Collection	756,816,948	75,681,695
Administrative and General	305,723,219	30,572,322
Policing	402,191,159	40,219,116
Finance and Accounts	122,627,740	12,262,774
Traffic Administration	117,582,207	11,758,221
TOTAL OPERATING COSTS	1,704,941,273	170,494,127
MAINTENANCE AND OPERATING COSTS	$ 2,942,143,546	$ 294,214,355

Ten Year Average	Total 10 Years	10 Year Average
Capital Program		
Highway & Bridges	1,912,280,577	191,228,058
Equip & Facilities	401,001,195	40,100,120
Total TWY	**2,313,281,772**	231,328,177
Economic Dev - Mandated Projects	47,932,617	4,793,262
Canal capital & Equip	283,321,913	28,332,191
Total Capital Program	2,644,536,302	264,453,630

Exhibit 3

TO: The Thruway Authority Board DATE: December 19, 2007

FROM: Michael R. Fleischer
Executive Director

SUBJECT: Authorizing the Executive Director to Prepare for Toll Rate Adjustments in Order to Provide Sufficient Net Revenue to Finance the Authority's Multi-Year Capital Program, and to Comply with 2 NYCRR Part 203, the General Revenue Bond Resolution and the Authority's Fiscal Management Guidelines

The Authority last implemented a general increase in passenger and commercial vehicle tolls in 2005 as part of its Multi-Year Financial Plan. That Plan was based, in part, on certain traffic and revenue projections for 2007-2011.

Since that time, Stantec Consulting Services Inc. ("Stantec"), the Authority's traffic consulting firm, has revised its Thruway traffic and revenue projections for 2007-2012 to reflect the fact that traffic growth trends have slowed along the Thruway. Stantec's analysis concludes that over the last three years high gas prices and more frequent spikes in gas prices have resulted in a reduction in both the number of trips taken and the average distance traveled along the Thruway, as well as on other national highways. The Energy Information Administration, which provides official energy forecasts for the U.S. Government, projects a similar pattern of price spikes and high per-gallon gas prices for the balance of 2007 and 2008. As a result, Stantec estimates this trend will continue to have a detrimental impact on traffic on the Thruway system over the next few years.

These new traffic estimates require that the Authority make revisions to its toll revenue estimates throughout its Multi-Year Financial Plan. These revisions lead to out-year operational deficits and debt service coverage ratios that are below the minimum set

in the Authority's Fiscal Management Guidelines. Furthermore, without any adjustments in revenue sources, the portion of the Authority's Capital Program that would be funded on pay as you go basis would decline to below 20 percent in 2008, and to a very low level of 11.4 percent in 2010.

In an effort to address these gaps and to avoid over-reliance on debt financing, Authority staff is proposing to further reduce staffing levels (in addition to the approx. 450 jobs eliminated since 1995), enhance additional real estate revenue opportunities, impose additional cost containment measures on discretionary spending and limit future annual operational growth throughout the Multi-Year Financial Plan. Considering recent increases in health insurance costs and the escalating cost of fuel, energy, steel, cement, and salt, limiting operational increases will result in austere annual budgets.

Even after constraining operational growth to the lowest practical levels, operational deficits and low debt service coverage ratios would still be projected in the out-years of the Plan. Substantial reductions to operations and/or the Multi-Year Capital Program could be made. However, the level of operational and capital cuts needed to close these out-year gaps would jeopardize the high level of safety and service that the Authority provides to its customers. Therefore, Authority staff believes that revenue actions need to be implemented to address these out-year gaps.

Based on these findings, along with the Authority's commitment to fund the $2.7 billion capital program necessary to maintain the Thruway in a state of good repair, in early September the Authority's Audit and Finance Committee directed Authority staff to begin working with Stantec to develop a revenue plan that addresses out-year funding

gaps by further limiting future annual operating costs and exploring additional revenue options. Authority staff presented such a plan to the Audit and Finance Committee at its November 8, 2007 meeting and the Committee recommended that Authority staff present this plan to the full Board at its November meeting.

In accordance with the State Comptroller's regulation on Public Authorities, 2 NYCRR Part 203, the Authority must submit a financial plan for the subsequent three years with its Budget. If this financial plan shows shortages, then the Authority is required to detail each revenue enhancement and cost-reduction initiative that represents a gap-closing program and the annual impact of the program on revenues, expenses and staffing. In addition, pursuant to Section 609 of the Authority's General Revenue Bond Resolution, the Authority has covenanted with Bondholders to place in effect as soon as practicable either (i) the recommended schedule of tolls, fees and charges, or (ii) a different schedule of tolls, fees and charges developed by the Authority which provides sufficient net revenue in the following Authority fiscal years to comply with the rate covenant to eliminate any deficiency in funds and accounts at the earliest practicable time. Any alternative schedule of tolls, fees and charges must be concurred in by an independent consultant's certificate. Further, the General Revenue Bond Resolution requires a minimum 1.2 debt service coverage ratio. Without taking the action proposed in this agenda item, the required debt service coverage ratio would be projected to drop below 1.2 in 2010. The Authority's Fiscal Management Guidelines adopted by the Board require a minimum 1.5 debt service coverage ratio. Without taking the action proposed in this agenda item, the debt service coverage ratio will drop below 1.5 in 2009.

Considering the foregoing, Authority staff requested that Stantec perform the following services:

1. Estimate the revenues required to meet the Authority's capital program needs;
2. Review revenues and expenditures under the Authority's existing toll rates for the period 2007-2012; and
3. Recommend a plan to implement a new schedule of toll rates which will provide sufficient net revenues to the Authority and comply with 2 NYCRR Part 203, the General Revenue Bond Resolution and the Authority's Fiscal Management Guidelines.

STANTEC REPORT

In accordance with Section 2804 of the Public Authorities Law, Stantec has prepared a report entitled, "New York State Thruway Authority Financial Requirements and Proposed Toll Adjustments" (the "Report") attached hereto as Exhibit I. To determine the funds necessary to meet Authority needs, the Report assesses: funds necessary for capital program needs; operating and maintenance expenses; and current and future debt service requirements.

The Report indicates that in addition to the issuance of new bonds, toll rates must be adjusted to support a multi-year capital program that includes maintenance, rehabilitation and reconstruction of the existing infrastructure as well as necessary capacity improvements. To achieve this goal and to be in compliance with 2 NYCRR Part 203, the General Revenue Bond Resolution and the Authority's Fiscal Management Guidelines, Stantec and Authority staff recommend the following Proposal.

PROPOSAL

The proposal (the "Proposal" and collectively the "Revenue Enhancements") before the Board today includes the following key components:

- Reduce E-ZPass Discounts for passenger and commercial vehicles to 5% effective June 29, 2008;
- Eliminate S-Discounts effective July 1, 2009;
- Increase the fee for the Annual Permit Plan from $80 to $84 in 2009 and from $84 to $88 in 2010;
- Implement a one-time increase for cash customers at the barriers and bridges effective January 4, 2009 (except Grand Island where passenger cash customers and residents will see no increase);
- Increase the fee for certain bridge and barrier commuter plans in 2009 and 2010; and
- Implement two 5% General Toll Increases effective January 4, 2009 and January 3, 2010.

In addition, the Proposal retains the E-ZPass discounts for motor homes, motorcycles, gooseneck trailers and congestion pricing, but rates will increase in tandem with cash and E-ZPass rate changes. The Proposal also preserves the existing commercial volume discount program and retains the additional E-ZPass discount for hybrid vehicles that meet certain fuel efficiency and emissions standards.

The proposed regulations implementing these Revenue Enhancements are attached hereto as Exhibit II (the "Regulations"). In making these changes, the Regulations are being simplified with general language that requires all E-ZPass, commuter and residential discount levels to be set by the Authority Board. Attached

hereto as Exhibit III are the proposed and existing rates for the E-ZPass, commuter and residential discounts.

IMPLEMENTATION PROCESS

To implement the above referenced toll adjustments, the Authority will follow the procedures set forth in the Public Authorities Law ("PAL"), the Executive Law, the State Administrative Procedure Act ("SAPA"), Executive Order #20 issued November 30, 1995 as extended by Executive Order #5 issued January 1, 2007 ("EO #20") and the State Environmental Quality Review Act ("SEQRA"). To the extent possible, the procedures outlined below will be undertaken concurrently to achieve implementation of the toll adjustments on or before June 29, 2008.

Rule Making

Pursuant to EO #20, Rule Making documents should first be pre-approved by the Governor's Office of Regulatory Reform ("GORR"). Upon GORR's approval, the proposed regulatory changes can then be submitted to the Secretary of the State for publication, the Temporary President of the Senate, the Speaker of the Assembly, and the Administrative

Regulations Review Commission.

Public Authorities Law Section 2804 (PAL)

The PAL establishes the procedures governing any prospective "increase in fees, tolls or other charges for the use of the highway, bridge or tunnel facilities." These procedures exist separate and in addition to those required by SAPA. SAPA does not, by itself, impose a public hearing requirement. SAPA does require, however, that public

hearings be held where mandated by a specific and underlying statute. The PAL provides that any proposed statewide toll increase be accompanied by at least 3 public hearings.

In addition, the PAL provides that financial reports indicating the need for the toll increase be submitted to the Governor, Comptroller, Chairman of the Senate Finance Committee, Chairman of the Assembly Ways and Means Committee, and the Ranking Minority members of the Senate Finance Committee and the Assembly Ways and Means Committee 120 days prior to the increase taking effect. The required financial reports, embodied in the Stantec Report, are attached hereto as Exhibit I.

State Environmental Quality Review Act (SEQRA)

Rule Making regarding toll modifications constitutes an action under SEQRA. Environmental review relating to the implementation of toll adjustments will be conducted concurrently with the Rule Making and satisfaction of the PAL requirements. A consultant will assist the Authority with satisfaction of the SEQRA process within the same 120-day time frame as is needed to comply with the PAL requirements.

Authority staff has reviewed the Proposal before the Board today requesting authorization for the Executive Director to take the preliminary and preparatory action as is detailed herein and recommends that such preliminary and preparatory action be deemed to be an exempt action under SEQRA.

As this process will take a minimum of 120 days, it is recommended that the Executive Director be authorized to proceed with the necessary action preparatory to the toll adjustments, including but not limited to filing the proposed Rule Making,

submission of the required reports, conducting public hearings and all other actions necessary to fulfill the statutory and regulatory requirements for the toll adjustments.

RECOMMENDATION:

It is recommended that the Board adopt the following resolution:

RESOLUTION NO _____

AUTHORIZING THE EXECUTIVE DIRECTOR TO PREPARE FOR TOLL RATE ADJUSTMENTS IN ORDER TO PROVIDE SUFFICIENT NET REVENUE TO FINANCE THE AUTHORITY'S MULTI-YEAR CAPITAL PROGRAM, AND TO COMPLY WITH 2 NYCRR PART 203, THE GENERAL REVENUE BOND RESOLUTION AND THE AUTHORITY'S FISCAL MANAGEMENT GUIDELINES

RESOLVED, that the financial documents satisfying the financial reporting requirements of Public Authorities Law Section 2804, attached hereto as Exhibit I, be, and hereby are, approved; and be it further

RESOLVED, that the Executive Director, or his designee, be, and hereby is, authorized to take all actions necessary to prepare for the implementation of the toll adjustments consistent with this Board Item and Exhibits II and III attached hereto and that such actions shall conform with the General Revenue Bond Resolution and the applicable statutory procedures outlined in the Public Authorities Law, the Executive Law, the State Administrative Procedure Act, Executive Order #20 issued November 30, 1995 as extended by Executive Order #5 issued January 1, 2007 and the State Environmental Quality Review Act; and be it further

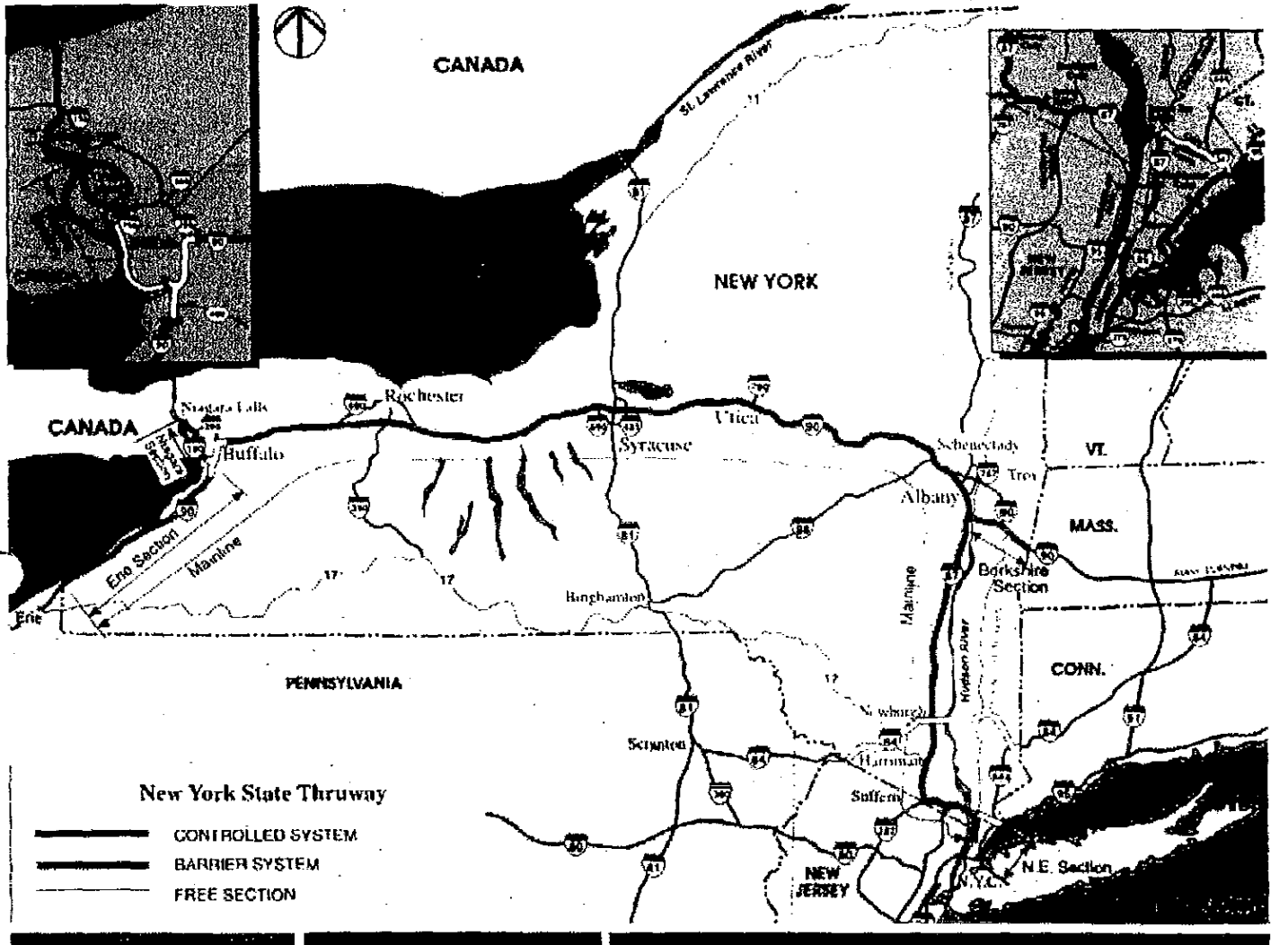
RESOLVED, that after the necessary actions have been taken, the Executive Director shall present a recommendation to the Board regarding a specific plan for the toll adjustments, consistent with this Board Item and Exhibits II and III, necessary to meet the requirements of 2 NYCRR Part 203, the General Revenue Bond Resolution, the Authority's Fiscal Management Guidelines and determining the environmental significance of any such actions; and be it further

RESOLVED, that the recommendation regarding the environmental significance of this action authorizing the Executive Director to perform and distribute studies, conduct preliminary planning and hearings and file the documents necessary to formulate a proposal for action be, and hereby is, approved; and be it further

RESOLVED, that this resolution be incorporated in full in the minutes of this meeting.

Executive Director

REPORT



NEW YORK STATE THRUWAY FINANCIAL REQUIREMENTS AND PROPOSED TOLL ADJUSTMENTS

2007-2012

Prepared for
New York State Thruway Authority

December 2007

Stantec

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December 13, 2007

Mr. Michael Fleischer
Executive Director
New York State Thruway Authority
200 Southern Boulevard
Albany, NY 12201

Dear Mr. Fleischer:

This report serves to respond to the requirements contained in Section 2804 of the Public Authorities Law and also the requirements of the General Revenue Bond Resolution, Section 609(1)(b) with respect to the New York State Thruway Authority ("Authority").

Section 2804 specifies that public authorities should provide, prior to the consideration of any future increase in tolls or fees for any highway, bridge, or tunnel in New York State, a detailed report of the need and implication of such change in tolls or fees. The report specifically responds to paragraphs a) the need for such increase, b) the Authority's revenues and expenses during the prior three fiscal years, e) future Authority operations, debt service and capital construction, together with estimated future receipts and expenditures for the next five fiscal years, and f) projections and estimates as to the effect of proposed increases on future use of the facilities and future revenues which will accrue as a result of the proposed increase.

Section 609(1)(b) of the General Revenue Bond Resolution requires that an Independent Consultant review the schedule of tolls, fees and charges to insure that they provide sufficient Net Revenues to comply with that section's revenue covenant. Satisfaction of the requirements of the revenue covenant will allow the Authority to meet its fiduciary obligations including those under Section 608 to operate the Thruway in a sound and economical manner and to maintain, preserve and reconstruct the Thruway in a state of good repair.

The following assumptions, which in our opinion are reasonable, were used in the development of these projections.

- No future serious recession will occur for the forecast period.
- No protracted fuel shortage will occur during the forecast period.
- A regular and extensive maintenance program will be undertaken throughout the forecast period to maintain the integrity of the Thruway system.

- Current toll rates are scheduled to be adjusted on January 6, 2008 for a 10 percent increase in cash toll rates (previously approved by the Authority in April of 2005).

As the Thruway system is in its sixth decade of operation, the need for reconstruction and rehabilitation of the aging infrastructure requires an increasing level of investment. At the same time, travelers on the roadway are experiencing delays resulting from increasing traffic volumes. It is essential to provide customers with the mobility and service they expect, and to preserve the transportation artery that supports New York State's economy. To continue to keep the aging infrastructure in acceptable condition and to provide the needed operational and service improvements, the Authority developed and is implementing a $2.7 billion Multi-Year Capital Program for the period 2005 to 2011. Substantial bridge repairs and reconstruction are critical components of the Authority's Multi-Year Capital Program.

This report provides a baseline projection of revenues and expenses for the Authority, as well as debt service and other funds through 2012, assuming a continuation of the present toll schedule, including the January 6, 2008 increase in cash rates and full implementation of the $2.7 billion Multi-Year Capital Program. In this baseline case, operational deficits and very low pay-as-you-go financing levels are anticipated in the out-years of the Multi-Year Financial Plan. However, of particular concern, debt service coverage ratios (the ratio of Net Revenues to Debt Service) in the latter years of the forecast decline below limits established in the Authority's Board-adopted Fiscal Management Guidelines and the requirements of the General Revenue Bond Resolution. These low coverage ratios, pay-as-you-go levels and operational deficits are attributed to low revenue growth on the Thruway, due to rising gas prices, decreasing trip lengths and increases in the number of E-ZPass users that pay discounted rates.

In an effort to address these issues, Thruway staff has provided us with a multi-year phased approach which includes raising revenues through a toll adjustment, beyond the previously approved cash increase scheduled for January 6, 2008.

The proposed toll adjustments can be summarized as follows:

- July 2008 E-ZPass discounts, which have previously been 10 percent off the cash rates for passenger cars and 5 percent for commercial vehicles, would be modified to be 5 percent below the cash rates for both vehicle classes. The increase scheduled for January 2008 would increase the cash rate by 10 percent while retaining the current E-ZPass rate, which effectively increases the E-ZPass discount to 18 percent for passenger cars and 14 percent for commercial vehicles. In July 2008, discounts for both passenger and commercial classes will be 5 percent and will be maintained throughout the forecast period.

- January 2009 An increase of 5 percent in cash rates on the controlled system for passenger and commercial vehicles, with varying cash and E-ZPass increases at the Barriers and increases in commuter rates.

- July 2009 Elimination of the "special" discounts for the S class commercial vehicles.

- January 2010 An increase of 5 percent in cash rates on the controlled system for passenger and commercial vehicles, increases for commercial vehicles (and passenger cars pulling trailers) at the Tappan Zee Bridge and Spring Valley Barriers and increases in commuter rates.

We have estimated the effects of these proposed toll adjustments on traffic, both in terms of the potential loss of traffic and shifts of traffic. In our opinion, if implemented in full, the toll adjustments will result in only small changes in traffic patterns and provide adequate revenues to fund, to a reasonable level, the pay-as-you-go portion of the capital program, to pay for the necessary maintenance and operating expenses, to maintain necessary levels of coverage on the revenue bond debt service, to meet the covenants of the General Revenue Bond Resolution and the requirements of the Authority's Fiscal Management Guidelines during the forecast period. Specifically, we concur with the Authority, that the proposed toll adjustments analyzed in this report will provide sufficient Net Revenues during the forecast period to comply with the revenue covenant set forth in Section 609(1)(b) of the General Revenue Bond Resolution, and will provide additional Net Revenues to eliminate any deficiency in funds and accounts held under the General Revenue Bond Resolution at the earliest practicable time. It will also allow the Authority to comply with the operating and maintenance covenants of the Thruway facilities set forth in Section 608 of the General Revenue Bond Resolution.

With the recommended toll adjustments, the Authority's current Multi-Year Capital Program can be fully implemented providing for the needed reconstruction and congestion relief improvements and assuring the maintenance of the current condition of the highway and bridges. As a result, we believe the Authority will continue to be able to provide service to its customers at the current high levels and will continue to fulfill its role in supporting the State's economy through the forecast period. A review of the Authority's needs after the completion of the Authority's current Multi-Year Capital Program in 2011 will indicate what further actions might be required at that time.

We would like to thank the Authority staff for all of their assistance in the preparation of this report. This report was prepared with the assistance of Carter Burgess.

Very truly yours,

Gerald V. Nielsten
Senior Principal

I. INTRODUCTION

The New York State Thruway is the backbone of the State's transportation system. Since its construction more than 50 years ago, it has provided safe and efficient transportation for millions of users annually. Since its inception, the Thruway has served over 287 billion vehicles across New York State. Serving commercial traffic as well as commuters, business trips and recreational travel, the Thruway is a vital element in sustaining and promoting the economy of the State. It is therefore essential to maintain the high level of safety and service provided in terms of safe and smooth riding conditions, sufficient capacity, sound bridges and modern customer service facilities. To date, the Authority has successfully met the needs of its customers. But, as the physical facilities have surpassed the half-century mark, the Authority must address the increasing needs and cost of the capital program to rehabilitate and replace major components of its aging infrastructure. There is also a continuing need to improve operating conditions for safe and efficient travel and to take measures to address the increasing congestion at critical locations. Because the Authority receives no State tax funding as subsidy for the highway and little federal aid, it must meet its commitments primarily through user charges for the services provided. Therefore, from time to time, the Thruway must increase its tolls to continue to serve its customers and to fulfill its role in supporting the State's economy.

II. THE THRUWAY SYSTEM

A. Description

The 570-mile New York State Thruway is the largest toll highway system in the United States, connecting the principal cities of the State from New York City to Albany and from Utica, Syracuse and Rochester to Buffalo and the Pennsylvania Line (see map, Figure II-1). The roadway is the primary east-west express route through the middle of the State. The Thruway corridor serves 37 of the State's 62 counties and the majority of the State's population. Approximately 270 million toll transactions take place annually on the system providing approximately $ 554.4 million in toll revenues in 2006.

1. Original Project

The Thruway has two types of toll systems -- a controlled (ticket) system for the mainline between Woodbury and Williamsville (381 miles) plus the Berkshire Section (24 miles) and the Erie Section (70 miles), and a barrier system for the Grand Island Bridges, Tappan Zee Bridge, Yonkers Barrier, New Rochelle Barrier, Spring Valley Barrier, and Harriman Barrier. On the controlled system, the toll charged reflects the distance traveled. Barrier tolls have a single rate for vehicles of the same class. The Thruway connects with the Massachusetts Turnpike (I-90), the Connecticut Turnpike (I-95), New Jersey's Garden State Parkway, as well as Interstate route I-287 from New Jersey; I-90 in Pennsylvania; I-290 around the north side of Buffalo; I-390 and I-490 serving Rochester; I-81, I-481 and I-690 at Syracuse; I-790 in Utica; I-87 (the Northway), I-88, I-90, I-787, and I-890 at Albany; and I-84 at Newburgh. It also makes direct connections with major State highways.

2. Mandated Additions

Pursuant to legislation in the early 1990's, the Authority was given jurisdiction over the Cross-Westchester Expressway (I-287), I-84, and the New York State Canal System. The Cross-Westchester Expressway is included as part of the Original Project along with the Thruway. The Canal System projects are considered to be Other Authority Projects and as such the Authority may only support the costs of operation and maintenance from the Other Authority Projects Operating Fund or other funds that are only available for such purposes on a basis subordinate to all funds required for Thruway purposes.

Pursuant to a contract with DOT, beginning in November 2007 for a one-year period, the Authority will be fully reimbursed for all operating and maintenance expenses of I-84, which offset the toll revenue loss for removing tolls at the Buffalo Black Rock and City Line Barriers. Continuation of operating and maintenance on I-84 after this one-year period would be under a succeeding reimbursement contract which will require the approval of the State Legislature and Governor. Without this approval, operating and maintenance responsibility, and the funding of it, will revert to DOT.

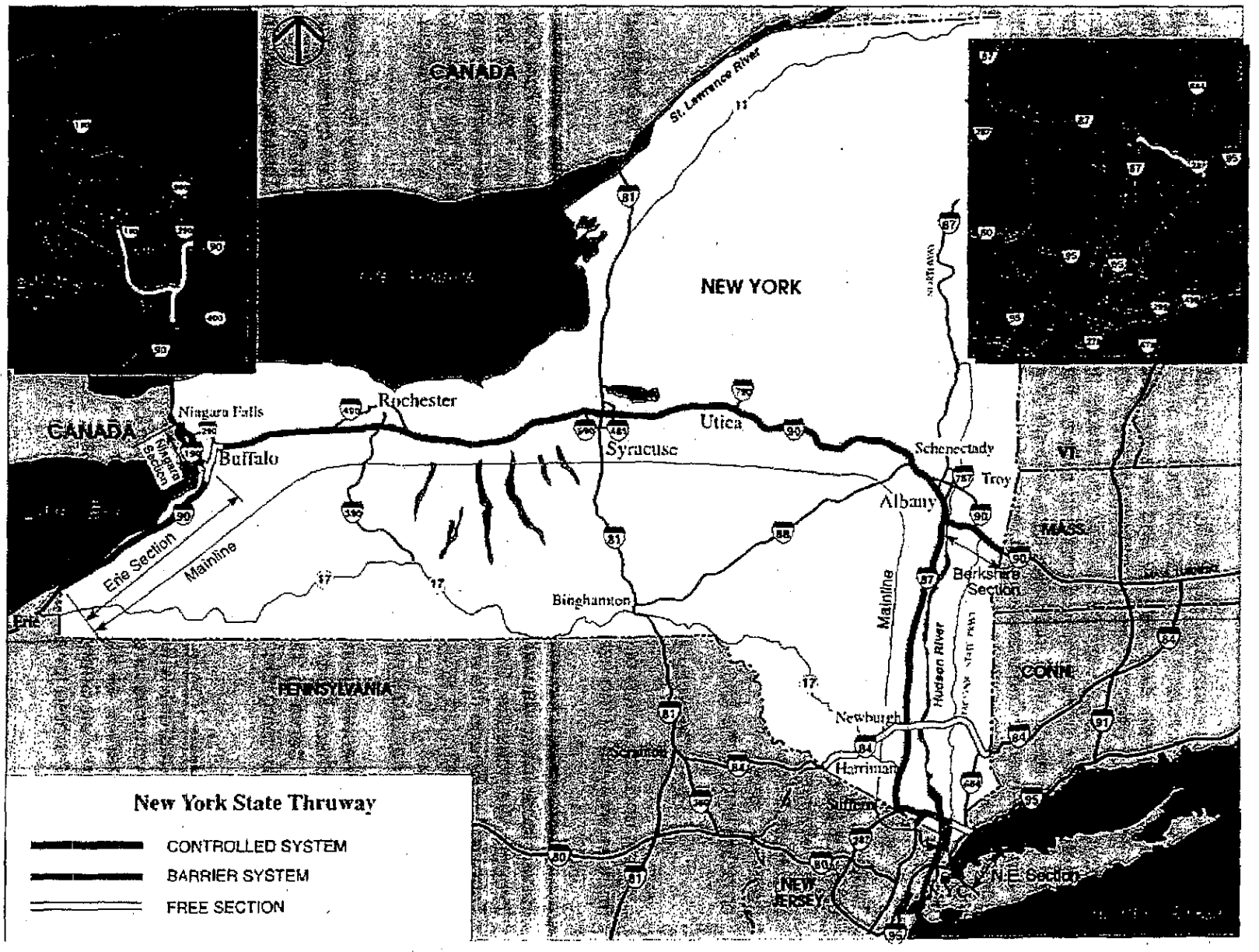


Figure II-1
New York State Thruway Map

B. Use of the Thruway

The Thruway provides service to urban, suburban, and rural areas. The traffic is composed of short and long trips; commuters and occasional users; recreational and business travelers; local delivery and long-distance trucking; and those traveling for many other purposes. There is substantial out-of-state traffic on many segments of the system. Travel time savings as well as reliable maintenance gives the Thruway an advantage over other nearby competing routes. Passenger cars, while accounting for almost 85 percent of all individual trips through pay points, provide only 60 percent of the toll revenues. Commercial vehicles making up about 15 percent of toll trips provide some 40 percent of toll revenues. The controlled system, with tolls collected based on the distance traveled provides two-thirds percent of the total toll revenues. Trips through the barriers make up the other one-third of total toll revenues.

There are several major employers and employment centers located within the Thruway corridor that contribute to the Thruway's broad traffic base. These include General Electric, Eastman Kodak, IBM, Woodbury Commons Outlet Mall and United Technologies. In addition, several commercial distribution centers such as those for Wal-Mart, Price Chopper, and Target are located close to the Thruway in order to easily transport goods to stores. In addition, the Tappan Zee Bridge is a major interstate crossing linking the Mid-Atlantic States to New England.

1. Thruway Users

An understanding of the diverse service provided by the Thruway can be obtained from an analysis of the users of different portions of the system

Westchester-Harriman. The southern section of the Thruway mainline, part of I-87, serves local traffic as well as commuters and long-distance traffic from New York City through Westchester County to the Tappan Zee Bridge at Tarrytown. Across the Tappan Zee Bridge the mainline passes through Rockland County to the Harriman area where the controlled system commences. The New England Section of the Thruway, part of I-95 along the Long Island Sound shore between the Bronx and Connecticut, serves both local and long-distance traffic.

In Westchester County, the Saw Mill River and Sprain Brook Parkway to the west and the Hutchinson River Parkway to the east provide competitive toll-free routes to the Thruway and serve a high percentage of the regular commuting traffic. Trucks, prohibited from using the Parkways, account for some 11 percent of Thruway traffic in this area.

The toll-free Cross-Westchester Expressway (I-287) connects the mainline Thruway at Elmsford with the Thruway's New England Section at Port Chester and carries heavy volumes of commuting and other local traffic to and from the White Plains area. It also serves as the principal corridor between points west of the Hudson River via the Tappan Zee Bridge to Connecticut and the rest of New England. The Tappan Zee Bridge accounted for about 18 percent of all Thruway toll revenues in 2006.

Thruway users in the section between the Tappan Zee Bridge and Harriman include a large number of local Rockland and Orange County travelers and Rockland-to-Westchester commuters as well as longer distance business and recreational traffic going to and from the Catskill region and points farther north. The Thruway in Rockland County also serves a high portion of all local east-west travel as it offers a faster and more convenient route than parallel Route 59, which is often congested.

Substantial volumes of long-distance passenger car and commercial traffic to and from New Jersey and beyond enter and leave the Thruway system at Suffern. Traffic on I-287 uses the Thruway either to the east for service to Westchester, Connecticut, and other New England areas via the Tappan Zee Bridge and Cross-Westchester Expressway, or to the north to upstate areas or New England via the more northerly routes, including I-84 and the Thruway's Berkshire Section and the Massachusetts Turnpike.

In years of average weather conditions, passenger car traffic at the New Rochelle and Yonkers Barriers during the lowest winter month and the highest summer month does not vary by more than 15 percent from the monthly average, a remarkably consistent pattern.

Hudson Valley. Between Albany and the southern terminus of the controlled system near Harriman, the Thruway traffic includes substantial flow to, from, and between the local communities as well as business and recreational long-distance travel. Relatively heavy movements - particularly involving trucks - occur on and off at Newburgh to connect, via the local roadways, with I-84. The Taconic State Parkway, on the east side of the Hudson River, offers a toll-free alternative route for passenger cars between the New York City area and Albany. I-84 traverses New York State between Connecticut and Pennsylvania and intersects with the Thruway-controlled system at Newburgh. This east-west route, which is toll-free, carries local traffic as well as interstate movements.

Albany-Buffalo. Between Albany and Buffalo, the Thruway is both a commuting route for the cities and communities along it as well as an east-west main street of the upstate area serving both long-distance and local traffic. In the Albany area, the Thruway is heavily used by local commuters, particularly between Albany and Schenectady. Major interstate and other routes converge in the Capital District with the Thruway's Berkshire Section connecting to the Massachusetts Turnpike (I-90 to the east), the Taconic State Parkway, and Route I-90 to the west. This latter route extends around Albany to the north connecting back to the Thruway at its intersection with the Northway, I-87, the principal route to the north. I-88, an interstate route connecting to the Southern Tier at Binghamton, terminates at the Thruway in the Schenectady area. These routes carry long-distance traffic to and through the area; they are also used by commuting and other local traffic as they serve the nearby suburban areas.

As a part of I-90, the Thruway between Albany and Buffalo serves the principal upstate cities of Utica, Syracuse and Rochester and is the main route for heavy trucking across the State. It provides connections to several interstate routes, among them I-790 in Utica; I-81 in Syracuse, the principal north-south route between Binghamton

and Watertown, and I-690 and I-481, circumferential routes around Syracuse; I-390 and I-490 serving Rochester; and I-290 to the north of Buffalo. This section of the Thruway is the primary East-West route in the area.

This section of the Thruway also serves many of the State's recreational areas. Summer traffic is extremely important and levels are well above average in this area. The winter months are typically below average. In the urban areas, this variation is less extreme as the local commuters and frequent users represent a greater percentage of the traffic than on other sections. The historical trend has shown a higher rate of growth of those drivers who regularly use the road at all times of the year.

Buffalo Area. The Niagara Section is heavily used by local traffic to and from the region's cities. It also provides the only highway access to Grand Island and serves some longer-distance traffic to and from Canada either via the bridges in Niagara Falls or the Peace Bridge in Buffalo. Regular users are extremely important to this section. The Erie Section of the mainline, which is a continuation of I-90, serves the lakeshore communities as well as long-distance through traffic. The Erie Section serves a substantial amount of summer traffic.

2. *Traffic Characteristics*

Details of the relative importance of each of the existing interchanges of the controlled system are provided in Table II-1, which shows the exiting traffic through each of the pay points in 2006. The data presented are for passenger cars and for all commercial vehicles. All of the interchanges are ranked according to total exiting volume. The busiest interchanges are at the urban areas and at the ends of the ticket or controlled system. The ten busiest interchanges account for almost 50 percent of all passenger car trips on the controlled system and for nearly 60 percent of all commercial vehicle trips.

TABLE II-1							
Controlled System Traffic Summary - 2006							
Exiting Traffic at Interchanges							
Interchange		Mile Post	passenger cars	commercial vehicles	Grand Total	% of Grand Total	Grand Total Rank
No.	Name						
15	Woodbury	45	6,550,959	1,252,058	7,803,017	5.4%	4
16	Harriman	45	1,049,870	52,981	1,102,851	0.8%	42
17	Newburgh	60	4,989,328	900,049	5,889,377	4.0%	6
18	New Paltz	76	2,510,872	144,588	2,655,460	1.8%	21
19	Kingston	91	2,995,184	228,444	3,223,628	2.2%	15
20	Saugerties	101	1,339,005	96,718	1,435,723	1.0%	34
21	Catskill	114	1,532,240	136,341	1,668,581	1.1%	29
21 B	Coxsackie	124	975,754	126,709	1,102,463	0.8%	43
B1	Post Road	B7	2,277,897	391,432	2,669,329	1.8%	20
B2	Taconic	B15	799,620	8,609	808,229	0.6%	47
B3	Canaan-Mass	B18	3,237,809	923,211	4,161,020	2.9%	9
22	Selkirk	135	656,100	95,533	751,633	0.5%	48
23	Boulevard - Alb	142	4,519,055	408,015	4,927,070	3.4%	8
24	Washington - Alb	162	12,421,859	1,226,382	13,648,241	9.4%	1
25	Schenectady	154	6,346,951	228,227	6,575,178	4.5%	5
25 A	Schenectady I-88	159	2,962,598	551,540	3,514,138	2.4%	12
26	Rotterdam	162	1,056,741	110,322	1,167,063	0.8%	38
27	Amsterdam	174	1,476,804	176,725	1,653,529	1.1%	30
28	Fultonville	182	592,018	337,076	929,094	0.6%	46
29	Canajoharie	194	412,119	49,531	461,650	0.3%	50
29 A	Little Falls	211	202,367	34,405	236,772	0.2%	52
30	Herkimer	220	648,415	77,189	725,604	0.5%	49
31	Utica	233	1,607,469	257,024	1,864,493	1.3%	26
32	Westmoreland	243	1,073,620	89,485	1,163,105	0.8%	39
33	Verona	253	2,357,071	203,908	2,560,979	1.8%	22
34	Canastota	262	1,422,004	110,929	1,532,933	1.1%	33
34 A	Collamer-Syr	277	3,010,040	309,422	3,319,462	2.3%	14
35	Thomson-Syr	279	1,751,773	238,580	1,990,353	1.4%	25
36	Mattydale-Syr	283	2,559,367	390,162	2,949,529	2.0%	17
37	Electronics-Syr	284	1,061,260	62,611	1,123,871	0.8%	41
38	Liverpool-Syr	286	1,032,712	103,006	1,135,718	0.8%	40
39	State Fair-Syr	290	2,505,781	441,914	2,947,695	2.0%	18
40	Weedsport	304	1,068,773	168,209	1,236,982	0.9%	37
41	Waterloo	320	1,071,897	331,934	1,403,831	1.0%	35
42	Geneva	327	1,519,579	199,491	1,719,070	1.2%	28
43	Manchester	340	1,284,363	116,705	1,401,068	1.0%	36
44	Canadaigua	347	3,043,597	161,322	3,204,919	2.2%	16
45	Victor-Roch	351	5,397,383	296,990	5,694,373	3.9%	7
46	Henrietta-Roch.	362	3,109,336	476,124	3,585,460	2.5%	11
47	LeRoy-Roch.	379	2,172,665	314,763	2,487,428	1.7%	23
48	Batavia	390	1,396,236	217,927	1,614,163	1.1%	32
48 A	Pembroke	402	1,365,738	432,370	1,798,108	1.2%	27
49	Depew	417	3,547,260	316,805	3,864,065	2.7%	10
50	Williamsville-Buff	420	7,619,413	1,666,123	9,285,536	6.4%	2
55	Lackawanna-Buff.	429	7,037,689	1,332,617	8,370,306	5.8%	3
56	Blasdell	432	2,562,537	172,998	2,735,535	1.9%	19
57	Hamburg	436	1,908,507	150,104	2,058,611	1.4%	24
57A	Angola	445	901,845	55,781	957,626	0.7%	45
58	Silver Creek	456	939,212	84,259	1,023,471	0.7%	44
59	Dunkirk	468	1,444,297	208,082	1,652,379	1.1%	31
60	Westfield	485	246,722	32,628	279,350	0.2%	51
61	Ripley/State Line-Pa.	496	2,178,883	1,197,911	3,376,794	2.3%	13
TOTAL			127,750,594	17,696,269	145,446,863	100.0%	

For passenger cars, by far the busiest interchange on the Thruway controlled system is Washington Avenue (#24) at Albany, which is also the connection to the Northway (I-87) and I-90 around Albany. Almost one out of ten of all controlled system trips passes through this interchange. The next two busiest points are the Williamsville (#50) and the Lackawanna (#55) barriers adjacent to Buffalo at the ends of the two parts of the controlled system previously described, followed by Woodbury (#15), the southern end of the controlled system, and Schenectady (#25) (I-890). Of the ten busiest interchanges, the remaining locations are adjacent to upstate cities [Victor-Rochester (#45), Newburgh (#17), Boulevard-Albany (#23), and Schenectady - I-88 (#25A)] with the exception of the ninth-busiest location at Canaan (#B3) on the Berkshire Section, which connects to the Massachusetts Turnpike. The seventh-busiest at Newburgh (#17) also serves as a connection to I-84.

Traffic volumes through the barriers are generally heavier than the volumes through the controlled system interchanges as most of the barriers are in urban or suburban areas. The volumes shown in the above table for the controlled system interchanges are one-way exiting volumes only. The volumes recorded at the one-way barriers are therefore comparable to the interchange volumes, but the two-way barrier volumes must be halved. Passenger car volumes at the Tappan Zee Bridge are almost twice as high as the busiest interchange at Washington Avenue. The New Rochelle Barrier (in suburban Westchester) is also substantially busier than Washington Avenue. The Yonkers Barrier, Harriman Barrier, and the Grand Island Bridges serve more passenger cars than any interchange except for Washington Avenue.

Commercial traffic is heaviest at the New Rochelle Barrier on the New England Section of the Thruway, which is I-95. Commercial traffic here is greater than at Washington Avenue. The next busiest barrier with commercial traffic is the Tappan Zee Bridge where the volume is only slightly higher than at the Spring Valley and Harriman Barriers.

C. Existing Toll Rates

Since the start of toll operations in 1954, the Authority has instituted six general toll increases. In 1959, tolls were increased for both passenger cars and commercial vehicles, and in 1970, only commercial vehicle tolls were raised. In 1975, passenger car tolls were increased, and commercial vehicle tolls were raised at the barriers but not on the controlled system. In 1980 and 1988, tolls were raised for both passenger cars and commercial vehicles. In 2005, tolls were raised for passenger cars and commercial vehicles, and commercial vehicle rates were recast from a more vehicle-type axle-based system into a system of axles and height.

Previous toll increases indicate that Thruway traffic is relatively insensitive to increases in the toll rates. In addition, the current level of tolls is generally below that charged on other toll roads and there are few effective competitive routes. The physical condition of the Thruway is generally better than that of alternative routes. The safety and security related services, such as snow plowing and police protection, are better on the Thruway than on alternative routes.

1. *Barrier and Controlled System*

Tolls on the controlled system are based on the distances traveled between the entry and exit interchanges for each of the vehicle classifications. At each barrier, the tolls are based only on the vehicle classification. Existing Thruway tolls are based on the vehicle classification related to the number of axles per vehicle and the height of the vehicle.

Historically special toll rates have been established for certain classes of Thruway users. Since the implementation of E-ZPass, commuter and carpool discounts as well as annual permits are only available with E-ZPass. Discounted commuter rates are available at the Tappan Zee, Grand Island Bridges, Yonkers, New Rochelle and Harriman Barriers; on the controlled system, annual permits entitle the user to unlimited use within a distance of 30 miles without paying additional tolls. In 1997, one-way toll collection was implemented for commercial vehicles and passenger vehicles that are towing a trailer at Spring Valley, along with establishing congestion pricing at the Tappan Zee Bridge and Spring Valley for those commercial vehicle types that have E-ZPass, where tolls are increased in the peak period.

The current toll rates are shown in Tables II-2 and II-3 and have been in effect since May 15, 2005. A simplified vehicle classification schedule took effect during May 2005. This change resulted in a reduction of the number of vehicle classifications from 43 to 9. Vehicle classes are now based on a vehicle's height and its total number of axles. This simplification allows for automatic vehicle classification, to improve the audit and enforcement ability of toll collection, and to maintain equity among vehicles of various sizes. Collections at Black Rock and City Line Barriers in the City of Buffalo ceased as of October 30, 2006.

TABLE II-2 Existing Controlled System Toll Rates			
New Class	Toll Rate Per Mile (Cents per Mile)		
	E-ZPass Rate	Cash Rate Effective May, 2005	Cash Rate Effective Jan, 2008
2L Passenger car or 2-axle low truck	3.49¢/mile	3.88¢/mile	4.27¢/mile
2L Permit vehicle	$80/year 3.49¢/mile beyond 30 miles		
3L 3-axle low vehicle or combination	5.4	6.0	6.6
4L 4-axle or more low vehicle or combination	6.41	7.13	7.84
2H 2-axle high vehicle	7.31	7.7	8.47
3H 3-axle high vehicle, or combination	12.57	13.23	14.55
4H 4-axle high vehicle, or combination	13.85	14.58	16.04
5H 5-axle high vehicle, or combination	18.72	19.71	21.68
6H 6-axle high vehicle, or combination	23.21	24.44	26.88
7H 7-axle or more high vehicle, or combination	27.70	29.16	32.08

TABLE II-3

Existing Bridge and Barrier Toll Rates

Vehicle Class		Tappan Zee Bridge (Cash/E-Zpass) (1) (2)	New Rochelle (Cash/E-Zpass)(2)	Yonkers (Cash/E-Zpass)	Spring Valley (Cash/E-Zpass) (1) (2)	Harriman (Cash/E-Zpass)	Grand Island Bridge (Cash/E-Zpass)
Passenger Cars							
2L	Cash/E-ZPass Tolls	$ 4.00 / $ 3.60	$ 1.25 / $ 1.13	$0.75 / $0.68	-	$ 0.75 / / $ 0.68	$ 0.75 / / $ 0.68
	Commuter Rate	2.00	1.00	.50	-	.50	0.25
	Car Pool Rate	.50	-	-	-	-	-
	Resident	-	-	-	-	-	0.09
		Peak / Off Peak			Peak / Off Peak		
3L	3 axle Under 7' 6"	9.50 / 4.75	2.00 / 1.80	1.00 / 0.90	2.50 / 1.25	1.00 / 0.90	1.00 / 0.90
4L	4 axle or more Under 7' 6"	11.25 / 5.63	2.50 / 2.25	1.25 / 1.13	3.75 / 1.88	1.25 / 1.13	1.25 / 1.13
Commercial Vehicles							
2H	2 axle Over 7' 6"	12.25 / 6.13	2.75 / 2.61	1.50 / 1.43	4.25 / 2.13	1.50 / 1.43	1.50 / 1.43
3H	3-axle Over 7' 6"	17.00 / 8.50	3.50 / 3.33	1.75 / 1.66	6.75 / 3.38	2.25 / 2.14	1.75 / 1.66
4H	4-axle Over 7' 6"	20.25 / 10.13	4.25 / 4.04	2.25 / 2.14	6.75 / 3.38	2.50 / 2.38	2.25 / 2.14
5H	5 axle Over 7' 6"	27.00 / 13.50	6.75 / 6.41	3.50 / 3.33	11.00 / 5.50	3.50 / 3.33	3.50 / 3.33
6H	6-axle Over 7' 6"	33.75 / 16.88	7.50 / 7.13	3.75 / 3.56	12.25 / 6.13	4.25 / 4.04	3.75 / 3.56
7H	7-axle or more Over 7' 6"	40.50 / 20.25	8.25 / 7.84	4.25 / 4.04	13.50 / 6.75	4.75 / 4.51	4.25 / 4.04

TABLE II-3 A

January 6, 2008 Bridge and Barrier Toll Rates

Vehicle Class		Tappan Zee Bridge (Cash) [1]	New Rochelle (Cash)[1]	Yonkers (Cash)	Spring Valley (Cash) [1]	Harriman (Cash)	Grand Island Bridge (Cash)
Passenger Cars							
2L	Cash Tolls	$ 4.50	$ 1.50	$ 1.00	$ 0.0	$ 1.00	$ 1.00
3L	3 axle Under 7' 6"	10.50	2.25	1.25	2.75	1.25	1.25
4L	4 axle or more Under 7' 6"	12.50	2.75	1.50	4.25	1.50	1.50
Commercial Vehicles							
2H	2 axle Over 7' 6"	13.50	3.25	1.75	4.75	1.75	1.75
3H	3-axle Over 7' 6"	18.75	4.00	2.00	7.50	2.50	2.00
4H	4-axle Over 7' 6"	22.50	4.75	2.50	7.50	2.75	2.50
5H	5 axle Over 7' 6"	29.75	7.50	4.00	12.25	4.00	4.00
6H	6-axle Over 7' 6"	37.25	8.25	4.25	13.50	4.75	4.25
7H	7-axle or more Over 7' 6"	44.75	9.25	4.75	15.00	5.25	4.75

[1] One-way toll collection.

The existing Thruway controlled system toll rates in most instances are substantially below the rates on other major northeastern turnpikes. In addition, certain publicly announced initiatives in Pennsylvania and New Jersey, as well as outside of the Northeast, in Indiana, Texas and elsewhere, suggest the disparity between lower Thruway tolls and growing tolls in those states.

TABLE II-4

Comparable Per-Mile Toll Rates
(cents/mile)

Toll Road	Passenger Cars cents/mile	5-axle Tractor-Trailer Combination cents/mile
New York State Thruway		
Controlled (Ticket) System	3.9	19.7 [1]
Massachusetts Turnpike		
State Line to Boston	3.4	15.9
New Jersey Turnpike		
Entire Length	5.7	20.5
Northern Section	11.5	43.1
Pennsylvania Turnpike		
Entire Length	5.9	22.5[2]
East of Harrisburg	6.5	23.3[2]

(1) Does not reflect volume discount or Truck Mileage Tax credit.
(2) Toll by weight. Amounts shown for vehicles 45,001 to 62,000 lbs.

2. *Discount Programs*

The Authority currently offers a variety of discount programs. For passenger cars using the controlled system, the annual permit plan offers regular users substantial discounts from the base toll. Commuter rates are also available at the Tappan Zee and Grand Island Bridges. Currently, the toll for commuters at the Tappan Zee Bridge, at one-half the regular passenger car rate, provides a discount of $2.00 per trip. At the Tappan Zee Bridge, high occupancy vehicles (HOV's) – passenger cars with three or more persons – are offered a substantially discounted commuter rate of $0.50, or one-eighth the regular toll. The basic commuter rate at the Grand Island Bridges, at 33 percent of the regular passenger car toll, provides a discount of 50 cents. In addition, a special low rate, with a discount of 66 cents, is available for residents of Grand Island. This special rate, which is 12 percent of the regular rate, is provided in recognition of the fact that the bridges are the only access to the Island for the residents.

There are also commuter programs offered at Harriman, Yonkers and New Rochelle barriers, where reduced passenger car rates are available; a minimum number of monthly trips is required for these plans. Additional special discount programs are available for motorcycles, motor homes and gooseneck trailers (5th wheel hitches).

Finally, the Thruway offers an additional 10 percent discount from E-ZPass rates for certain high fuel efficiency vehicles that meet the Authority's criteria.

In addition to the standard 5 percent general E-ZPass discount implemented in 2005, the volume discount program provides discounts to commercial carriers. The plan was implemented in two phases: one phase in 2005 and a second phase in 2006. In 2005, for accounts with toll charges between $1,000 and $2,000 per month, there was an additional 10 percent discount, and for toll charges between $2,000 and $3,000 per month, there was another 10 percent discount. For toll charges in excess of $3,000, an additional 5 percent discount was applied to the monthly charges.

In 2006, the modified volume discount was reduced so that for accounts with toll charges between $1,000 and $2,000 per month there is a 10 percent discount. For toll charges between $2,000 and $3,000 per month, there is another 5 percent discount. For toll charges in excess of $3,000, another 5 percent discount is applied to the monthly charges. In 2006, the commercial vehicle volume discount program cost the Authority approximately $21 million.

3. E-ZPass

The Authority has implemented E-ZPass, an electronic toll collection system, on the entire Thruway system, with every toll lane equipped to accept E-ZPass transactions. The Authority was the first toll road in the Northeast to implement electronic toll collection on a large-scale basis. E-ZPass allows customers with prepaid accounts to drive through dedicated toll lanes without stopping. The toll is deducted from the prepaid account balance, with the exception of commercial customers who use E-ZPass through post-paid accounts. The prepaid accounts are replenished either through cash, check or credit card deposits. The Authority collects over 55 percent of the passenger car and almost 74 percent of commercial vehicle toll revenues through E-ZPass and over 1.9 million E-ZPass transponders have been issued. Recently, several improvements were made at some of the busiest toll plazas system-wide with the installation of E-ZPass lane numbering signs (including Woodbury, New Rochelle Barrier, Tappan Zee Bridge, Lackawanna, Williamsville, and Interchange 24 in Albany) and higher speed E-ZPass lanes at the New Rochelle and Tappan Zee Bridge Toll Plazas and other plazas. The higher speed toll lanes are created by removing toll collection booths and eliminating pedestrian crossings to allow for higher vehicle speeds. Maximum speeds are limited by safety considerations at each specific location.

E-ZPass is an improvement over conventional toll collection techniques and offers many benefits to both the Authority and toll patrons. For the Authority, E-ZPass increases toll plaza throughput by some 200 to 300 percent, without the need to build additional infrastructure. E-ZPass also reduces toll collection expenses, as there is less cash passing through the tollbooths, which requires fewer operators. Other benefits to the Authority are derived from the financial control features of E-ZPass as it provides a more secure method of revenue collection by eliminating the exchange of cash, and it enhances audit control by centralizing user accounts. E-ZPass lanes include a video enforcement system for collecting revenues from those that avoid paying a toll.

For toll patrons, E-ZPass eliminates or shortens delays at toll plazas, saves fuel and reduces mobile emissions by reducing or eliminating deceleration, waiting times, and acceleration. E-ZPass allows the Authority to improve customer service and satisfaction by speeding the customers through the toll plaza, removing the need for them to stop, fumble for change, or roll down their window. E-ZPass also provides more convenient methods of toll payment and gives customers the flexibility of paying their toll bill with cash, check, or even credit cards. Customers who use credit cards have the option of having their credit card account automatically charged when their toll account dips below a predefined level, thereby eliminating the customer's concern over funds for toll payment. In addition, customers can receive monthly statements detailing their toll usage, thus eliminating the need for receipts. Commercial customers have the added benefit of no longer being required to send drivers out with cash or some form of ticket, which could potentially be misused.

E-ZPass also benefits Thruway patrons who do not elect to use the electronic system because it greatly increases the toll plaza efficiency thereby providing added capacity to process cash transactions. The result is elimination or reduced delays for all users.

E-ZPass allows for seamless travel in the Northeast corridor, as E-ZPass is also accepted by all the major toll facilities in Maine, New Hampshire, Massachusetts, New York, New Jersey, Delaware, Pennsylvania, Maryland, Virginia, West Virginia, Indiana, and Illinois. E-ZPass will soon become available in Ohio.

D. Thruway Physical Plant

A brief description follows of the physical plant for which the New York State Thruway Authority has responsibility.

1. Roadways

The original 559-mile Thruway system included some 2,600 lane-miles of roadway. The addition of the Cross-Westchester Expressway (11 miles) and I-84 (71 miles) increased the Original Project to 641 miles with some 3,240 lane-miles of roadway. The Authority is responsible for the routine maintenance of the Cross- Westchester Expressway, with DOT having responsibility for capital improvements. Prior to November 2007, NYSTA had similar responsibilities for I-84. However, beginning in November 2007 for a one-year period, the Authority will be fully reimbursed for all operating and maintenance expenses pursuant to a contract with DOT, which offset the toll revenue loss for removing tolls at the Buffalo Black Rock and City Line Barriers. Continuation of operating and maintenance on I-84 after this one-year period would be under a succeeding reimbursement contract which will require the approval of the State Legislature and Governor. Without this approval, operating and maintenance responsibility in addition to funding responsibility, will also revert to DOT. The original Thruway was constructed from 1949 through 1960. Pavements were typically nine inches of reinforced Portland cement concrete placed on 12 inches of granular sub-base. Shoulders were of treated granular material with an asphaltic wearing surface.

Also included in the Thruway's jurisdiction is a short (2.9 mile) section of the Garden State Parkway from I-87 to the New Jersey State line.

2. *Bridges*

The Authority has either full or partial maintenance responsibility for 807 bridges. The structural characteristics of these bridges vary: about 15 percent are concrete structures, either pre-stressed girder, arch, rigid frame, or box culverts. The remaining 85 percent of the bridges are steel structures with asphalt overlaid reinforced concrete decks.

The largest bridge on the Thruway system is the Tappan Zee Bridge over the Hudson River near Tarrytown. Opened to traffic in 1956, it is a three-mile multi-span steel truss and girder type structure. A permanent maintenance team is assigned exclusively to the Tappan Zee Bridge because of its size and importance. To increase the bridge one-way traffic capacity, a movable barrier provides for the reversal of one of the seven traffic lanes. The Authority is currently participating in a comprehensive study of the Tappan Zee Bridge/I-287 Corridor in conjunction with the DOT and MTA/Metro North Railroad, with DOT as the project leader for this coordinated study. Built over 50 years ago, the bridge routinely experiences peak hour volumes that are 40 percent higher than normal operational volumes. The study investigates potential options for a new structure over the Hudson River to replace the Tappan Zee Bridge, including the potential to accommodate a light rail or transit system with this new structure and through the corridor. The study group evaluated numerous alternatives to reduce the number of alternatives for future consideration to six which are currently under further study.

Other major structures include the Castleton-on-Hudson Bridge across the Hudson River on the Berkshire Section south of Albany, the four Grand Island Bridges spanning branches of the Niagara River north of Buffalo, the Niagara Viaduct on the Niagara Section in Buffalo, the Eastchester Creek Bridge and the Byram River Bridge on the New England Section.

The Authority purchased property damage insurance for all bridges valued in excess of $5.0 million. An insurance reserve has been funded in the amount of $2.5 million to cover those bridges valued at less than $5.0 million. The Thruway's largest bridge, the Tappan Zee Bridge, is separately covered by two commercial policies providing loss of revenue and damage coverage in the amount of $450 million and terrorism coverage in the amount of $100 million.

3. *Service Areas, Buildings and Other Facilities*

There are 27 service areas with 55 buildings along the system. The Thruway Authority Administrative Headquarters, constructed in 1972, is located at 200 Southern Boulevard in Albany overlooking the Thruway mainline and the Albany Division maintenance complex.

Thruway maintenance responsibility is divided into four divisions, with each division having its own headquarters complex. The Maintenance Division headquarters are located in Suffern, Albany, Syracuse, and Buffalo.

Division Headquarters complexes also provide housing for State police, toll collection, traffic and customer service, and construction management administration facilities. There are 362 buildings of various types along the system; these are set forth in Table I-5. Tollbooths, an integral part of interchanges and toll barriers, have all the characteristics of buildings, with their own heating and lighting systems, roofs, windows, and doors. There are 380 toll lanes in the system. In addition, the Authority maintains a radio communication system with towers along the route, as well as an extensive Intelligent Transportation System (permanent overhead Variable Message Signs, Closed Circuit Television systems and traffic count stations). These are all part of an Advanced Traffic Management System, which provides automatic traffic information to Authority patrons, through dynamic message signs, e-mail alerts, radio systems and media coverage. The Thruway also owns and operates a fleet of vehicles and maintenance/construction equipment.

4. Additional Thruway Amenities (WiFi, ITS, E-ZPass, etc.)

The Thruway has, and continues to enhance, amenities to the system to aid in travelers information and convenience, congestion management via ITS systems (CCTV, HAR, VMS signs, etc) and of course E-ZPass improvements. Some of the additions noted since 2005 include:

- Wi-Fi is currently available at all Service Areas.
- Traveler Information Web Site - identifies active construction, accidents and other information for motorists.
- TransAlert Program- Subscribers receive, free of charge, email or text message updates of incidents/ accidents that impact traffic on the Thruway.
- Transportation Information System (TIS) upgrades and improved Highway Advisory Radio (HAR).
- E-ZPass Recognition Project – dedicated E-ZPass lanes are highlighted using pavement markings and canopy signing. Advance notification of open E-ZPass lanes is provided at larger interchanges on approach ramps using variable message signs. Included in this project, is the introduction of higher speed (20mph) E-ZPass lanes at selected interchanges, barriers and at the Tappan Zee Bridge.
- Highway Speed E-ZPass will be introduced at Woodbury in 2009 and at Canaan and Williamsville in the future.
- Portable and fixed DMS boards have been installed at critical locations throughout the Division to provide immediate communication with motorists during incidents that impact traffic.
- Testing new Automated Vehicle Detection equipment to assist with E-ZPass toll collection enforcement and security.

TABLE II-5 THRUWAY AUTHORITY BUILDINGS	
Description	**Number**
Administrative Headquarters	4
Division Headquarters	55
Maintenance Sections	146
Service Areas	55
Interchange Buildings	49
Police Barracks	13
Radio and Miscellaneous	28
Toll Barriers	12
TOTAL	**362**

E. Annual Routine Maintenance Activities

The Thruway Authority has over the years developed comprehensive plans for the maintenance of its facilities. Formal pavement and bridge management systems have been developed to address maintenance issues and provide input into the development of long-term management programs. Routine maintenance activities are performed by Authority forces from 23 maintenance sections in the four divisions. Additional specified routine maintenance activities are provided by the four division maintenance headquarters and at the Tappan Zee Bridge.

Maintenance activities also include preventative maintenance operations to preserve the system and avoid added capital costs. Other innovative maintenance programs are also being used to more efficiently maintain the system. Environmental stewardship is a major factor in maintenance decisions.

F. Past Traffic Growth Trends

1. Required Data Adjustments

Throughout the history of the Thruway's operations, several tolling changes have been made. These adjustments result in traffic increases and decreases, but these variations in traffic cannot be used directly as a basis for determining past growth and projecting future growth. To determine the actual past trends of Thruway travel, it is necessary to remove the impacts of non-recurring conditions and events that have affected the recorded data. Table II-6 reports the historical reported traffic data that does not include these adjustments.

TABLE II-6 Historical Traffic[1] 1997-2007 (thousands)							
Year	Controlled System			All Barriers			Total
	Passenger Cars	Commercial Vehicles	Total	Passenger Cars	Commercial Vehicles	Total	
1997[2]	100,337	18,138	118,475	107,835	12,246	120,081	238,556
1998	105,734	19,826	125,560	100,592	11,906	112,498	238,058
1999	109,614	21,441	131,055	103,189	12,672	115,861	246,916
2000	112,802	22,358	135,160	107,216	13,311	120,527	255,687
2001	115,542	22,547	138,089	108,403	13,230	121,633	259,722
2002	119,698	23,217	142,915	110,844	13,451	124,295	267,187
2003	122,002	23,779	145,781	112,776	13,481	126,257	272,038
2004	126,124	24,455	150,579	117,061	14,204	131,265	281,844
2005[3]	125,806	19,943	145,749	115,725	12,541	128,266	274,015
2006[4]	127,751	17,696	145,447	112,643	11,301	123,944	269,391
Jan-Sept 06	95,915	13,316	109,231	86,293	8,695	94,988	204,219
Jan-Sept 07	96,077	13,298	109,375	75,685	7,562	83,247	192,622

(1) Traffic volumes represent total number of transactions at all locations where tolls are collected. Because vehicles on some trips pass through more than one paypoint, the number of individual trips is lower than the totals shown.

(2) Passenger car tolls removed at Spring Valley Barrier in July 1997. One-way tolling was implemented at Spring Valley Barrier in July 1997. Non-commuter passenger car tolls increased $0.50 at the Tappan Zee Bridge, and Congestion Relief pricing implemented at Spring Valley Barrier and Tappan Zee Bridge.

(3) Toll class system simplified and reclassified and tolls increased May 15, 2005.

(4) Toll collection discontinued at Black Rock and City Line Barriers on October 30, 2006.

The recent reclassification and simplification of the toll schedule now in effect identifies a single vehicle with a single transaction, eliminating all the previous duplications. The establishment of a new vehicle classification in 1991 for 53-foot tractor-trailer combinations was authorized at that time by federal regulation, requiring two toll tickets. The large combinations and tandem trailers no longer receive two tickets. As a result, there is a decrease in the statistical records of commercial trips from 2004 to 2006. A review of recent trends must reflect this modification.

2. *Revenue Trends*

Revenue on the Thruway system has shown a long-term steady upward trend, a combination of traffic growth and toll changes. Traffic volumes have shown limited sensitivity to the implementation of toll increases.

The long-term trend of traffic increases on the system has exceeded the growth of population in New York State. Traffic trends on the Thruway have shown healthy increases throughout the controlled system. This trend confirms the evidence of broad use of the highway by travelers from other areas as well as the local population.

The generally steady long-term growth of traffic and toll revenues in past years may be attributed to the diverse economic conditions in the various geographical areas served by the Thruway and to the mix of characteristics of the toll system users. These users include long and short-distance commercial traffic as well as commuter, recreational, business, and local passenger car traffic.

Table II-7
Average Annual Growth

Thruway Section	Revenue [1]									
	PASSENGER CARS					COMMERCIAL VEHICLES [2]				
	Average Annual Growth			2006 (thousands)	% of 2006 REVENUE	Average Annual Growth			2006 (thousands)	% of 2006 REVENUE
	1997-2006	2000-2006	2003-2006			1997-2006	2000-2006	2003-2006		
Controlled System[3]	6.0%	5.9%	7.8%	$ 183,676	55.1%	7.4%	6.4%	11.4%	$ 188,031.09	77.8%
Grand Island Bridges	10.2%	14.2%	19.9%	$ 11,438	3.4%	5.7%	4.3%	9.3%	$ 3,516.58	1.5%
Tappan Zee Bridge[4]	8.7%	7.8%	14.0%	$ 81,962	24.6%	5.9%	5.6%	10.3%	$ 21,858.66	9.0%
Yonkers Barrier	7.5%	6.8%	14.1%	$ 12,250	3.7%	5.6%	5.5%	11.8%	$ 3,930.34	1.6%
New Rochelle	6.5%	4.4%	7.5%	$ 22,529	6.8%	6.2%	5.8%	16.8%	$ 11,037.95	4.6%
Spring Valley Barrier[4]	-	-	-	-	0.0%	8.0%	8.3%	17.2%	$ 6,672.58	2.8%
Harriman	10.4%	9.9%	15.4%	$ 12,789	3.8%	8.0%	9.4%	13.2%	$ 2,970.43	1.2%
Buffalo City Line/Black Rock Barrier[5]	3.6%	4.0%	5.2%	$ 8,887	2.7%	4.5%	2.8%	6.4%	$ 3,794.26	1.6%
Total Barriers	7.0%	7.4%	12.8%	$ 149,973	44.9%	6.1%	5.8%	12.2%	$ 53,780.80	22.2%
Total	6.4%	6.6%	9.9%	$ 333,649	100.0%	7.1%	6.3%	11.6%	$ 241,811.89	100.0%

(1) Toll class system simplified and reclassified and tolls increased on May 15, 2005.
(2) Does not reflect the commercial vehicle volume discount.
(3) Includes permit statistics.
(4) Passenger car tolls removed at Spring Valley Barrier in July 1997. One-way tolling was implemented at Spring Valley Barrier in July 1997. Non-commuter passenger car tolls increased $0.50 at the Tappan Zee Bridge, and Congestion Relief pricing implemented at Spring Valley Barrier and Tappan Zee Bridge.
(5) Tolls removed at the Black Rock and City Line Barriers October 30, 2006.

III. REVENUES, EXPENSES, AND NET REVENUES, 1997 – 2006

A. Revenues

1. Toll Revenues

Total toll revenues, shown in Table III-1, have increased 58 percent from $351.8 million in 1997 to $554.4 million in 2006. A system-wide toll increase was implemented in May 2005. In October 2006, tolls for all vehicles were removed at the Black Rock and City Line Barriers in Buffalo.

TABLE III-1

Summary of Total Revenues
1997 – 2006
(millions)

Year	Passenger	Commercial[1]	Total Toll Revenue	Percent Growth	Other Revenue	Total Revenue
1997	$211.2	$140.6	$351.8	4.5%	$28.2	$380.0
1998	223.3	150.6	373.9	6.3%	30.4	404.3
1999	232.5	159.3	391.8	4.8%	38.1	429.9
2000	239.3	167.8	407.1	3.9%	27.2	434.3
2001	245.6	166.2	411.8	1.2%	30.1	441.9
2002	253.9	169.5	423.4	2.8%	26.5	449.9
2003	257.2	170.0	427.2	0.9%	27.4	454.6
2004	264.8	174.8	439.6	2.9%	30.4	470.0
2005[2]	311.1	200.1	511.2	16.3%	36.4	547.6
2006[3]	333.7	220.7	554.4	8.5%	39.6	594.0

(1) Includes volume discount.
(2) Toll increase in May 2005.
(3) Toll removed from City Line and Black Rock Barriers in October 2006.

In addition to the toll system changes noted, the year-to-year levels have been affected by external factors, including regional economic conditions. A nationwide flattening out of travel growth in the last two and a half years, most likely due in part to high volatility and spiking of gas prices, has also impacted traffic growth on the Thruway. Other external factors include varying winter weather conditions, construction activity and improvements in the regional transportation network. Increased use of E-ZPass has also reduced revenues, since discounts are offered to E-ZPass customers.

2. Other Revenues

In addition to toll revenues, the Authority earns income from concessionaires at the Thruway restaurant and gas stations, sales of property, revenues from special hauling

permits, other fees, fiber optic agreements, commercial vehicle tag lease fees, interest on various invested funds, and other miscellaneous sources. These revenues, presented in Table III-1 in the "Other Revenue" column, have varied over the last 10 years. The Authority's income from all other revenue sources was $39.6 million in 2006.

3. Total Revenues

Total revenues, including those from tolls and other sources shown in Table III-1, were $594.0 million in 2006 as compared to $470.0 million in 2004, the last full year before the most recent toll increase.

4. Operating and Maintenance

Operating expenses include normal maintenance of highway, building, and equipment, including snow and ice removal; toll collection; policing; administrative costs and fringe benefits; traffic operations; finance and accounting; and provisions for the Environmental Remediation and Public Liabilities Claims and Indemnities operating reserves. Table III-2 summarizes the Authority's operating and maintenance expenses for the period 1997 through 2006, including I-287, I-84 and the Canal System for the period in which these facilities have been the responsibility of the Authority. The annual amounts are influenced by labor agreements, environmental and other regulatory requirements, mandated increases relating to health insurance, retirement, other insurance, mandated changes in accounting policy, implementation of E-ZPass Account Management, and periodic severe winter conditions requiring snow and ice control costs.

Table III-2

Operating and Maintenance Expenses
1997 – 2006
(millions)

Year	Thruway[1]	I-84[2]	Canal System[2]	Total Operating Expenses
1997	$189.5	$8.8	$26.1	$224.4
1998	198.9	8.3	25.7	232.9
1999	202.5	8.1	22.2	232.8
2000	221.6	9.5	5.2[3]	236.3
2001	229.1	10.3	25.9	265.3
2002	267.9[4]	10.5	31.9[4]	310.3[4]
2003	272.5	11.8	30.7	315.0
2004	299.2	11.5	6.3[5]	317.0
2005	307.3	12.5	38.2	358.0
2006[6]	323.7	11.5	42.8	378.0

(1) Includes provisions for claims and indemnity reserves.
(2) Amounts shown are transfers to Other Authority Projects Operating Fund from which the annual costs for operating and maintaining I-84 and the Canal System are disbursed.
(3) The amount transferred was lower than previous years due to receiving three years of enhancement funding for Canal operations for 1998, 1999, and 2000.
(4) Includes $29.5 million for the Thruway and $7.8 million for the Canal system related to a change in accounting policy due to implementation of Statement No. 34 of the Governmental Accounting Standards Board. This change in policy treats certain capital and equipment expenditures as operating expenses rather than charges to the capital program.
(5) In 2004, additional federal funds were made available for Canal Operations and Maintenance expenses that offset $40.9 million of expenditures. Historically, the Authority has received approximately $6.5 million annually for operating expenses.
(6) Operating expenses in 2006 were impacted due to two legal claims.

Operating expenses for the Thruway system have increased from $224.4 million in 1997 to $378.0 million in 2006. The actual annual costs of operating and maintaining I-84 and the Canal System are expended from the Other Authority Projects Operating Fund, which is funded by annual transfers from the revenue stream subsequent to other obligations in accordance with the priorities established in the Bond Resolution. Operating expenses were impacted in 2002 due to implementation of GASB 34 (Statement #34 of the Governmental Accounting Standards Board). This change in accounting policy treats certain capital and equipment expenditures as operating expenses as they are not capitalized. In 2006, the cost for I-84 and the Canal annual operating expenses net of federal funds was $54.3 million.

5. *Debt Service*

Table III-3 illustrates total annual debt service payments ranging from $78.3 million to $128.5 million made in the years 1997 through 2006. The total amount in that period is $941.6 million. Included in this total is $53.9 million for the debt service requirements on Thruway bonds issued to acquire the Cross Westchester Expressway, which were paid in full in January 2006.

TABLE III-3

Debt Service
1997 – 2006
(millions)

Year	Debt Service on Outstanding Bonds& Notes	Debt Service on CWE Bonds[1,2]	Total Debt Service
1997	$73.1	$5.2	$78.3
1998	74.9	5.5	80.4
1999	78.3	6.1	84.4
2000	83.2	6.5	89.7
2001	84.8	7.2	92.0
2002	85.1	8.1	93.2
2003	85.2	8.8	94.0
2004	86.2	6.5	92.7
2005	108.4	0.0	108.4
2006	128.5	0.0	128.5

(1) The final maturity of these bonds was January 1, 2006. However, revenues were not required to fund these debt service payments in 2005 since there were sufficient funds in the related debt service reserve fund to provide for the 2006 payments.

(2) Net after interest earnings.

6. *Reserve Maintenance Fund*

Table III-4 presents total revenues, operating and maintenance expenses, debt service and remaining amounts available for capital projects and equipment. In the flow of funds required by the Bond Resolution, deposits to the Reserve Maintenance Fund (a minimum of $30 million annually) must be made prior to provisions for payment of the operating and maintenance costs of I-84 and the Canal and deposits to the General Reserve Fund, which provides for Canal capital projects.

TABLE III-4 Revenues Available for Capital Projects and Equipment 1997 – 2006 (millions)				
Year	Total Revenues	Operating and Maintenance[1]	Debt Service	Available for Capital Projects and Equipment
1997	$380.0	$224.4	$78.3	$77.3
1998	404.3	232.9	80.4	91.0
1999	429.9	232.8	84.4	112.7
2000	434.3	236.3	89.7	108.3
2001	441.9	265.3	92.0	84.6
2002	449.9	310.3	93.2	46.4
2003	454.6	315.0	94.0	45.6
2004	470.0	317.0	92.7	60.3
2005	547.6	358.0	108.4	81.2
2006	594.0	378.0	128.5	87.5

(1) Includes transfers to Other Authority Projects Operating Fund for I-84 and Canal operating expenditures.

Reserve Maintenance Fund provisions are deposits that provide a regular source of funding for capital and equipment expenditures. Included is the required rehabilitation of the highway and bridges, equipment replacement, and special programs such as rock slope remediation and E-ZPass installation. Separate components of the reserves were established in 1990 to provide for major renovations to the travel plazas and beginning in 1996 the General Reserve Fund was established for Canal capital projects. The amounts available for capital projects and equipment from 1997 through 2006, were $794.9 million.

B. Net Revenues

The data in Table III-5 shows the actual revenue and expenses for 1997 through 2006, in the format that is consistent with the flow of funds, in accordance with the Bond Resolution.

Table III-5
Revenues, Operating Expenses and Reserve Fund Requirements
(millions)

	Actual										10- Year Total
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Total Revenues	$380.0	$404.3	$429.9	$434.3	$441.9	$449.9	$454.6	$470.0	$547.3	$594.0	$4,606.2
Less: CWE Debt Service & Reserve	-5.2	-5.5	-6.1	-6.5	-7.2	-8.1	-8.8	-6.5	0.3	0	-53.6
Available Revenues	374.8	398.8	423.8	427.8	434.7	441.8	445.8	463.6	547.6	594.0	4,552.7
Less:											
Operating Expenses	187.0	197.9	197.7	219.4	228.3	267.9	272.5	291.7	303.8	310.7	2,476.9
Operating Reserves[1]	2.5	1.0	4.8	2.2	0.8	0.0	0.0	7.5	3.5	13.0	35.3
Total	189.5	198.9	202.5	221.6	229.1	267.9	272.5	299.2	307.3	323.7	2,512.2
Net Revenues	185.3	199.9	221.3	206.2	205.6	173.8	173.3	164.3	240.3	270.3	2,040.3
Less: Debt Service	73.1	74.9	78.3	83.3	84.9	80.6	81.5	82.1	103.8	127.4	869.9
Net Revenues After Debt Service	112.2	125.0	143.0	122.9	120.7	93.2	91.7	82.2	136.5	142.9	1,170.3
Less: Retained for Operating Reserves	-10.0	10.0	0.0	0.0	-12.1	3.1	9.0	-5.2	5.2	-5.0	-5.0
Remaining Revenues	102.2	135.0	143.0	122.9	108.6	96.3	100.7	77.0	141.7	137.9	1,165.3
Less:											
Reserve Maintenance Fund Provisions	56.0	78.2	76.8	69.3	32.3	44.8	30.0	36.7	60.9	69.8	554.8
I-84 and Canal Operating Expenses	34.9	34.0	30.3	14.7	36.2	42.4	42.5	17.8	50.7	54.3	357.8
General Reserve Fund – Canal Capital	11.0	22.5	33.9	37.3	41.1	41.0	2.3	16.2	24.9	11.7	241.9
CP1, CP2						4.5	3.7	4.1	4.6	1.1	18.0
Facilities Capital Improvement Fund	0.0	0.0	3.5	0.4	0.1	0.0	0.0	0.0	0.0	0.0	4.0
Balance After Reserve Maintenance Provisions, Other Authority Projects and General Reserve Fund	0.3	0.3	-1.5	1.2	-1.1	-36.3	22.2	2.2	0.6	1.0	-11.1
Adjustment to cash basis	-0.3	-0.3	1.5	-1.2	1.1	0.1	0.1	0.0	-0.6	-1.0	-0.6
Net Balance (2)	$0.0	$0.0	$0.0	$0.0	$0.0	-$36.2	$22.3	$2.2	$0.0	$0.0	-$11.7

(1) Includes provisions for claims and indemnities and environmental remediation reserves. Totals may not add due to rounding.
(2) Due to GASB 34 related adjustments made in 2002 for the fiscal year then ended, the Operating and Other Authority project funds were underfunded in 2002. The effect of such adjustments were reversed by funds provided by interfund transfers in following fiscal year (2003).

IV. MULTI-YEAR CAPITAL PROGRAM

As the Thruway system is in its sixth decade of operation, the need for reconstruction and rehabilitation of the aging infrastructure requires an increasing level of investment. At the same time, travelers on the roadway are experiencing delays resulting from increasing traffic volumes. It is essential to provide customers with the mobility and service they expect, and to preserve the transportation artery that supports New York State's economy. To continue to keep the aging infrastructure in acceptable condition and to provide the needed operational and service improvements, complying with the fiduciary obligations under the General Revenue Bond Resolution, the Authority developed and is implementing a $2.7 billion Multi-Year Capital Program for the period 2005 to 2011.

The Authority was able to provide for its needs in prior years including funding capital programs. Capital expenditures from 1997 through 2006 are shown in Table IV-1. A majority of this amount was spent on highway, bridge, or customer-related projects such as the travel plazas, E-ZPass, patron communication systems, and the Traffic Operations center.

TABLE IV-1

Capital Expenditures
1997 – 2006
(millions)

Year	Highway and Bridges	Facilities, Travel Plaza and Equipment	Canal System and Economic Development Projects	Total Capital Expenditures
1997	$118.9	$22.7	$16.9	$158.5
1998	184.9	34.2	31.6	250.7
1999	230.3	40.8	34.1	305.2
2000	160.4	32.2	41.1	233.7
2001	185.5	48.6	49.1	283.2
2002	158.5	37.1	38.4	234.0
2003	158.6	37.1	33.3	229.0
2004	142.5	31.1	15.0	188.6
2005	97.1	27.3	21.0	145.4
2006	179.3	50.9	14.4	244.6

In addition, the Authority's investment in travel plaza reconstruction leveraged private investment in conjunction with the Thruway investment and resulted in the attractive modern facilities that have nearly doubled the Authority's concession revenues.

The Multi-Year Capital Program includes projects addressing the need for reconstruction and rehabilitation of roadway, bridges, facilities and support systems of the Thruway and projects providing congestion relief and mobility enhancements. Also included in the program are provisions for replacement of equipment and other Authority non-bridge and highway projects as well as other projects that are now the Authority's mandated responsibility. Substantial portions of the Multi-Year Capital Program are designed to address important bridge rehabilitation and reconstruction needs on the Authority's 807 bridges.

In addition to highway and bridge projects, the program provides for toll barrier improvements and reconfigurations to provide for non-stop travel from one-end of the system to the other, including improved access to major connector roads, such as I-84, and the Massachusetts Turnpike (I-90). In addition, the program includes rehabilitation of certain interchange and connecting ramp pavement and shoulders. Work at toll barriers and interchanges also include elements required for the safe implementation of higher speed E-ZPass lanes, and expansions at some toll plazas to serve increasing traffic demands. This work will reduce traffic conflicts resulting from access to toll booths, truck lots and Thruway maintenance facilities and will also improve signage, lighting, guide rails and safety. These modifications will provide improved service and safety, and prepare the facility to handle future growth.

The Multi-Year Capital Program ensures that the Thruway's physical plant is maintained in good condition and that a responsible funding program is available to carry out the plan. Goals are established relating to the desired condition and the plan is then developed based on the known existing condition of the physical elements that make up the Thruway physical plant, expected life cycle of these elements based on past experience and realistic cost estimates developed from the records of recent construction contracts.

The Multi-Year Capital Program includes 520 miles of new and/or rehabilitated highway, 196 new rehabilitated or improved bridges, new parking spaces for commercial vehicles, and 74 new dedicated, higher-speed, and/or highway speed E-ZPass lanes. The expenditures of the Authority's Multi-Year Capital Program are summarized below in Table IV-2. The $2.7 billion Multi-Year Capital Program will be funded both by bonds and by annual revenues generated principally from tolls.

However, the current Authority toll structure cannot provide sufficient revenues to fund the Multi-Year Capital Program, in accordance with the requirements of the Authority's Fiscal Management Guidelines and General Revenue Bond Resolution. As a result, the Audit and Finance Committee of the Board has directed Authority staff to work with the Traffic Engineer to develop a revenue plan that would achieve the following objectives: preserve the Multi-Year Capital Program through 2011, a commercial volume discount program and a commuter discount program; eliminate any anticipated operational gaps; maintain a debt service coverage ratio of at least 1.7 times in 2011; and increase the pay-as-you-go portion of the Multi-Year Capital Program to at least 30 percent by 2011. If the recommended toll adjustments are implemented as outlined in this report along with the operating expense controls and other projected revenue enhancements, the Multi-Year Capital Program will be fully funded through

2011 and as further detailed below, the other several plan objectives should be achieved.

TABLE IV-2

Projected Total Capital Program Expenditures

2005-2011
(millions)

Year	Thruway Highway and Bridges Capital Expenditures	Equipment Replacement and Other Facility Capital Needs	Canal Capital Program& Economic Development	Total Capital Program Expenditures
2005 (Actual)	$ 97.1	$ 27.3	$ 21.0	$ 145.4
2006 (Actual)	179.3	50.9	14.4	244.6
2007	325.1	65.9	47.9	438.9
2008	432.5	58.7	54.2	545.4
2009	380.6	51.9	44.7	477.2
2010	375.5	39.2	41.9	456.6
2011	347.4	40.6	41.2	429.2
Total	$2,137.5	$334.5	$265.3	$2,737.3

The basis of the future rehabilitation projects included in the future capital program is the detailed evaluation of existing conditions of the roadway and bridges and the development of a program of projects that will maintain or improve upon those conditions. The process for developing the rehabilitation portion of the capital program for the roadway and bridges is briefly described below.

A. Roadways

The Authority's Pavement Management System incorporates a range of methods of collecting and analyzing roadway data in order to assess pavement conditions. The Pavement Management System and its attendant analysis methods which use traffic data, pavement age and several other measures, assist in identifying both the pavement service life and various cost effective pavement treatment solutions. These solutions are incorporated in the Multi-Year Capital Program for rehabilitation.

B. Bridges

The Authority has in place an aggressive program of bridge inspection, maintenance, repair, and rehabilitation. These practices are being incorporated into a bridge management system. The principal goal of the Authority's bridge program is to

ensure the safety and serviceability of Thruway bridges in the most cost efficient manner. Applicable State and federal laws concerning protection of the environment and the Authority's own programs for, among other matters, removal and cleanup of lead paint on the bridges on the Thruway continue to require operating and capital expenditures.

As part of the Authority's continuing review of the needs for maintaining the integrity of all major structures, funding for a study is included in the Multi-Year Capital Plan to identify the long-term needs for the Tappan Zee Bridge and the I-287 Corridor.

The Authority recognizes that the majority of the infrastructure on the Thruway is over 50 years old and that routine maintenance programs will not keep the roads and bridges at the current condition levels. To maintain and improve the condition system-wide, an ongoing program of maintenance, rehabilitation and replacement projects will continue to be needed in the future. The Authority also recognizes that maintaining the facility in good condition is cost-effective in that major repair/replacement projects are minimized.

V. BASELINE TRAFFIC, REVENUE, EXPENSES AND NET REVENUE PROJECTIONS WITH PRESENT TOLL SCHEDULE

A. Traffic and Revenues

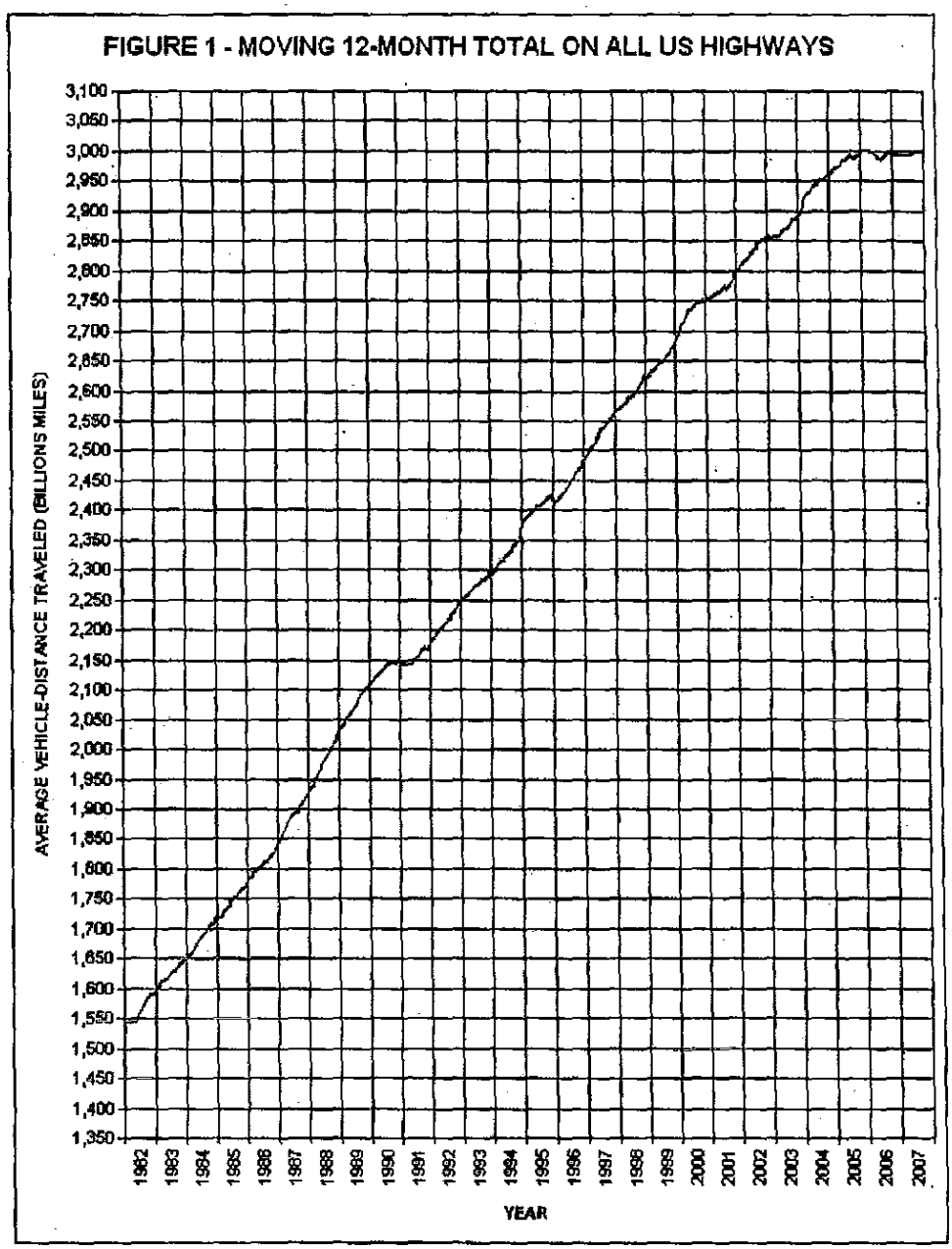
The traffic and revenue projections herein include the toll increase scheduled for January 2008 to increase tolls for all cash-paying customers by 10 percent, as approved by the Authority Board in 2005. These projections do not include any other toll adjustments (proposed toll adjustments will be analyzed in Section VII of this report). The intent of this section is to develop a baseline forecast of revenues against which proposed toll adjustments will be measured. Revenue estimates for the period through 2012 also take into account the impact of the recent removal of the tolls at the Black Rock and City Line Barriers, the changes in trip characteristics of the Thruway users, the recent traffic growth trends on the Thruway and recent traffic trends on both a regional and national level.

Changes in toll revenues will result from adjustments to the toll rates as well as the impact of drivers' reactions to the proposed modification in rates. These reactions may include avoiding the Thruway because the cost of using some sections of the highway will increase, or deciding to take advantage of the discounts available with E-ZPass and various commuter plans.

Whenever tolls are increased at a vehicular toll facility, there is usually some initial traffic loss by reason of diversions to other routings, consolidation of trips, or elimination of trips. Potential traffic losses due to higher tolls, as proposed in the schedule of toll adjustments analyzed in this report, were estimated based on previous experience on the Thruway when tolls were raised, and on recent experience on other toll facilities. The losses are expected to be relatively small considering that the Thruway offers large travel time advantages over the nearby routes, provides excellent services, and the fact that the Thruway tolls, even after the proposed adjustments, generally will be lower than those of most toll facilities in the Northeast. A modification was made to the future baseline revenue forecast to address the lower total toll revenues as a result of the discontinuation of toll collection the Black Rock and City Line Barriers.

The Thruway has shown little traffic and revenue growth in recent months. The lower traffic growth seen recently on the Thruway is consistent with the trends seen at northeast toll facilities and nationally. For example the Port Authority of New York and New Jersey (who own the George Washington Bridge), Maryland Transportation Authority (JFK Memorial Highway) and the Delaware River and Bay Authority (Delaware Memorial Bridge) have had traffic growth of less than 1 percent, over the last 12 month period.

Nationally, the average of vehicle miles traveled has been nearly flat since January 2005, shown in the Figure VI-1 below, as provided by the Federal Highway Administration (FHWA). This two and one-half year period is the longest period with no growth patterns since statistics were first reported by the FHWA in 1981.



Clearly much of this lack of growth in nationwide travel is a result of gas prices. Average gas prices are higher than ever, and real gas prices (adjusted for inflation) are approaching those seen in the early 1980's during the energy crisis. Of particular note is the magnitude and frequency of price spikes over the past three years. Though the overall impact in trips may be small, perhaps 1 to 2 percent, the spikes occur and are projected to occur during the summer period peak driving months. In the long term, it is likely that motorists will choose more fuel efficient vehicles and the effects of moderately higher fuel prices will not compound over time.

In addition, some of the decline in revenues is related to an increase in the percentage of traffic paying with E-ZPass, as they are paying at a discounted rate. Decline in revenues related to an increase in E-ZPass market share is expected to continue to be a factor when the Ohio Turnpike accepts E-ZPass in future years. Each percentage increase in E-ZPass usage results in a reduction of about $1 million in toll revenues annually for the Authority.

In addition, the average trip length on the controlled ticket portion of the Thruway has decreased since 2006. A decrease in trip length will on its own result in a decrease of revenues in the absence of any decrease in trips. Trip lengths decreased about 1 percent in 2006 and have decreased almost another 1 percent so far in 2007. Each 1 percent decline in passenger car trip length reduces revenues by some $2 million annually.

Revenue estimates for the period 2007 through 2012 are based on the present toll schedules, current traffic levels, expected demographic changes in the Thruway corridor, and completed construction projects. The comparison of the revenues with operating and other expenses is presented in the General Revenue Bond Resolution format in Table V-6.

1. Passenger Cars

Estimates of future traffic were developed from 2007 through 2012 assuming the previously approved cash changes would be implemented in January 2008, assuming no further toll adjustments through the forecast period. The projections for growth consider the anticipated future population and incomes.

The long-term trend of traffic increases on the system has far exceeded the growth of population in New York State. Traffic trends on the Thruway have shown healthy increases throughout the controlled system. This trend confirms the evidence of broad use of the highway by travelers from other areas as well as the local population.

Table V-1 indicates the past and projected growth of population and per capita income from 1990 through 2005 for various areas of the State. Population growth is projected to continue at approximately the same rate as in the past. Per capita income growth between 2000 and 2005 has been slightly less than the previous decade, and the projections reflect this slight reduction in income growth, although the New York State per capita income is consistently above the national average.

TABLE V-1

Average Annual Population and Per Capita Income

	1990	2000	2005	Average Annual Growth	
	Actual	Actual	Estimated	1990-2000	2000-2005
Population					
Westchester County	874,866	923,459	947,719	0.54%	0.52%
Rockland County	265,475	286,753	294,636	0.77%	0.54%
Orange County	307,571	341,367	372,750	1.05%	1.77%
Dutchess, Putnam and Ulster County	508,873	553,644	577,470	0.85%	0.85%
Albany-Schenectady -Troy MSA	809,642	825,875	847,421	0.20%	0.52%
Buffalo-Niagra Falls MSA	1,189,340	1,170,111	1,144,796	-0.16%	-0.44%
Rochester MSA	1,002,410	1,037,831	1,036,890	0.35%	-0.02%
Syracuse MSA	659,924	650,154	650,434	-0.15%	0.01%
Utica-Rome MSA	316,645	299,896	297,566	-0.54%	-0.16%
Per Capita Income					
Westchester County	$33,865	$55,071	$62,045	4.98%	2.41%
Rockland County	$26,206	$41,138	$46,505	4.61%	2.48%
Orange County	$19,535	$27,749	$31,419	3.57%	2.52%
Dutchess County	$17,097	$31,534	$36,467	6.31%	2.95%
Putnam County	$25,210	$38,840	$43,992	4.42%	2.52%
Ulster County	$18,777	$25,549	$29,811	3.13%	3.13%
Albany-Schenectady -Troy MSA	$19,358	$30,444	$35,590	4.63%	3.17%
Buffalo-Niagra Falls Msa	$18,535	$27,210	$32,071	3.91%	3.34%
Rochester MSA	$20,791	$29,327	$33,857	3.50%	2.91%
Syracuse MSA	$18,841	$27,007	$31,195	3.67%	2.93%
Utica-Rome MSA	$16,406	$23,517	$27,256	3.67%	2.99%

Source: 1990 and 2000 US Census. 2005 population estimates by US Census Bureau. 2005 per capita income estimates from US Bureau of Economic Analysis.

The passenger car traffic growth at the Tappan Zee Bridge, where historically over one-half of the total passenger barrier revenues has been collected, is projected to be below that on the controlled system, consistent with the recent past. The estimated average annual increase of 1.5 percent in the later years of the period is below the long-term 1987-2004 average rate of 2.1 percent. At the other barriers, the passenger car traffic is projected to grow at an average annual rate ranging from 1.5 to 2 percent in the later years of the forecast period. This forecast reflects a relatively steady long-term growth trend.

The projections of passenger car traffic for the controlled system and all barriers are set forth in Table V-2 from 2007 through 2012. Also shown in the table are the projected toll revenues based on the projected traffic growth at existing plazas. Total

passenger car revenues are estimated to increase from $325.1 million in 2007 to $373.6 million in 2012. Although traffic and revenue projections for commercial vehicles are given in Table V-2, discussion of these figures occurs in the following section.

TABLE V-2

Projections of Baseline Annual Toll Traffic & Revenues
(millions)

Traffic										
Traffic Year	Passenger Cars			Commercial			Total			% Change over Prior Year
	Ticket	Barrier	Total[1]	Ticket	Barrier	Total[1]	Ticket	Barrier	Total[1]	
2007	127.5	101.2	228.8	17.9	10.2	28.0	145.4	111.4	256.8	
2008	128.4	100.8	229.1	18.1	10.2	28.2	146.4	111.0	257.4	0.2%
2009	130.4	102.4	232.8	18.3	10.4	28.7	148.7	112.7	261.4	1.6%
2010	133.6	104.4	238.0	18.8	10.5	29.3	152.4	114.9	267.4	2.3%
2011	137.0	106.5	243.4	19.3	10.7	30.0	156.2	117.2	273.4	2.3%
2012	140.4	108.6	249.0	19.7	10.9	30.7	160.1	119.5	279.6	2.3%
Revenue										
Revenue Year	Passenger Cars			Commercial[2]			Total[3]			% Change over Prior Year
	Ticket	Barrier	Total[1]	Ticket	Barrier	Total[1]	Ticket[1]	Barrier[1]	Total[1]	
2007	$183.2	$141.9	$325.1	$189.0	$50.0	$239.0	$372.2	$191.9	$542.8	
2008	194.1	151.0	345.2	196.7	52.1	248.8	390.9	203.1	572.2	5.4%
2009	197.1	153.1	350.1	199.7	52.9	252.6	396.8	205.9	580.3	1.4%
2010	202.0	155.8	357.8	204.7	53.7	258.4	406.7	209.5	593.1	2.2%
2011	207.1	158.5	365.6	209.8	54.5	264.3	416.9	213.1	606.2	2.2%
2012	212.3	161.3	373.6	215.1	55.4	270.4	427.3	216.7	619.5	2.2%

(1) Totals may not add due to rounding.
(2) Does not include commercial vehicle volume discounts.
(3) Includes commercial vehicle volume discounts.

2. *Commercial Vehicles*

We have identified a strong correlation between commercial vehicle travel on toll highways such as the Thruway and the Federal Reserve Board's (FRB) industrial production index (IPI). As this index rises and falls, commercial vehicle travel increases and decreases proportionately. The relationship between the index and Thruway truck traffic is most appropriate on the controlled system where a substantial percentage of long distance travel exists. It is less appropriate for the barrier stations where traffic is more influenced by local economic conditions. Therefore, the correlation is used only for controlled system traffic. Based upon a lowered expectation of growth rates in industrial production as reflected in IPI, we have used lower growth rates in commercial traffic than in the recent past.

Commercial vehicle traffic on the controlled system was estimated to 2012 considering the projected increases in the FRB production Index and the historical correlation with Thruway traffic. The estimate considers projections based on the consensus of the forecasters. We are of the opinion that the estimates herein are conservative as increased economic activity along the corridor could result in higher traffic and revenue.

In making the traffic and revenue projections, conditions in the Thruway corridor were considered as a whole and did not specifically reflect the impacts of individual land use development or other physical projects within the corridor. The estimates do not reflect the short-term effect of specific employment reductions at businesses in the corridor. Most likely some, if not all, of these reductions will be replaced by other traffic generating activities. Throughout the years there have been various plant openings and closings and similar local conditions that have all been reflected in the normal overall traffic growth.

3. Total Toll Revenue

Toll revenues were estimated from 2007 through 2012 by applying the toll rates to the projected traffic volumes and reflecting the expected traffic reductions due to the January 2008 increase for cash-paying customer toll adjustments. Passenger car toll revenue is estimated to increase from $325.1 million in 2007 to $373.6 million in 2012. In the same period, commercial toll revenue (including the commercial volume discount) is estimated to increase from $217.7 million to $246.0 million.

Thruway capacity constraints will not affect the projected growth in the near future. In those limited areas, such as the Tappan Zee Bridge and the Albany-Schenectady segment, where there may be congestion in peak periods, the alternative routes are similarly congested. Drivers, therefore, are not expected to change routes but will cope with the temporary delays or will travel at less congested times.

4. Concession Revenues

Concession revenues were projected by the Authority based on historical receipts. New concessionaire contracts were executed in 2006 with some changeover occurring at the operation of the restaurant facilities of 16 service areas and the operation of 29 gas stations (at 27 locations). During 2006 and 2007 some areas had been closed for transition of new operators of gas and restaurant concessionaires. For this reason, the Authority has assumed a constant concession revenue projection between 2008 and 2012 of $12.7 million per year.

5. Other Revenues

In addition to the toll and concession revenues, the Authority also realizes annual income from special hauling fees, sundry revenue, and sale of surplus property. The Authority estimates that revenues from these sources will total $15.1 million per year from 2007 and increase to $17.6 million through 2012. These figures do not include

interest revenue that is deposited into the Revenue Fund and is projected to be $8 million in 2007 and will decrease to $7.6 million in 2012.

6. *Total Revenues*

Future toll, concession, and other revenues are estimated to increase from $580.6 million in 2007 to $654.8 million in 2012. This is an increase of 12.8 percent in the six-year period. These figures are detailed in Table V-3.

TABLE V-3

Estimated Baseline Annual Revenues
2007 – 2012
(millions)

Year	Passenger	Commercial[2]	Total Toll Revenue[1]	Other Revenue Including Concessions	Total Revenue[1]
2007[1]	$325.1	$217.7	$542.8	$37.8	$580.6
2008	343.2	227.1	572.2	35.8	608.0
2009	350.0	230.2	580.3	34.9	615.2
2010	357.8	235.3	593.1	35.1	628.2
2011	365.6	240.6	606.2	35.2	641.4
2012	373.6	246.0	619.5	35.3	654.8

(1) Totals may not add due to rounding.
(2) Includes commercial discounts

B. Operating Expenses

In projecting operating expenses for the Thruway, the Authority prepared estimates of operating expenses for the years 2007 through 2012 for the Thruway system. In our opinion, the estimates received from the Authority are reasonable and are appropriate estimates to be used in projecting operating expenses. These estimates reflect the Authority's continuing cost containment efforts and proposed reductions in full-time positions. The Authority proposes to reduce staffing by 10 full-time positions in each year from 2008 through 2011, generating $750,000 in savings in 2008 and increasing to $3.5 million by 2011. The projections for 2007 through 2012 reflect present-day costs, terms of existing labor contracts, changes in pension funding requirements, operating reserve requirements, and continued inflation for wages and operating and maintenance supplies. As shown in Table V-4, operating expenses of the Thruway system are projected to grow from $341.0 million in 2007 to $399.6 million in 2012. Included in these amounts are provisions for the operation and maintenance of I-287 and reserves for claims and indemnities.

Additional operating and maintenance expenses for I-84 and the Canal System are projected to decrease from $56.9 to $51.1 million over the same period. Beginning in November of 2007, the operating and maintenance expenses for I-84 will be fully

reimbursed pursuant to a proposed one-year agreement with the New York State Department of Transportation, and expenses are not included for the forecast period. The estimated annual amounts of future operating expenses for the Thruway, I-84 and the Canal System are shown in Table V-4. The total annual operating expenses of the Thruway and other projects under the Authority's jurisdiction are projected to increase from $397.9 million in 2007 to $450.7 million in 2012. Thruway operating expenses are, pursuant to the General Revenue Bond Resolution, paid before debt service and pay-as-you-go capital, including reserve maintenance fund obligations, and operating and maintenance expenses and capital expenditures for I-84 and the Canal System.

TABLE V-4

Projected Baseline Operating and Maintenance Expenses
2007-2012
(millions)

Year	Thruway	I-84 & Canal System[1]	Total Operating and Maintenance Expenses
2007	$ 341.0	$ 56.9	$ 397.9
2008	354.8	45.3	400.1
2009	367.0	45.5	412.5
2010	378.8	50.6	429.4
2011	388.9	49.6	438.5
2012	399.6	51.1	450.7

[1] Beginning November 2007, the operating and maintenance expenses for I-84 are expected to be fully reimbursed by DOT and expenses are not included in 2008 through 2012.

C. Net Revenues

Net revenues are expected to range from $239.6 million in 2007 to $255.2 million in 2012. The financial projections are presented in Table V-6 in the format consistent with the flow of funds set forth in the General Revenue Bond Resolution. The capital program can be advanced providing for the needed reconstruction and congestion relief improvements and assuring the maintenance of the current condition of the highway and bridges. As a result, the Thruway will continue to provide service to its customers at the current high levels and will continue to fulfill its role in supporting the State's economy through 2012. A review of the Authority's needs after that year will indicate what further actions might be required at that time.

D. Debt Service

The Authority's scheduled baseline debt service for the period 2007 through 2012 is presented in Table V-5.

TABLE V-5

Baseline Debt Service Requirements Without Toll Adjustment
(millions)

Year	Current	New	Total
2007	$ 132.3		$ 132.3
2008	162.7	$ 0.8	163.5
2009	163.5	31.9	195.4
2010	162.4	45.6	208.0
2011	162.1	71.9	234.0
2012	161.5	104.5	266.0
Total	$ 944.5	$ 254.7	$ 1,199.2

Table V-6 (1)
Baseline Revenues and Operating Expenses
(millions)

	Actual 2006	Revised 2007	Budget 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Total
Total Revenues	$ 594.0	$580.6	$ 608.0	$ 615.2	$ 628.2	$ 641.4	$ 654.8	$4,322.2
Available Revenues	594.0	580.6	608.0	615.2	628.2	641.4	654.8	4,322.2
Less:								
Operating Expenses	310.7	338.0	352.8	365.0	376.8	386.9	397.6	2,527.7
Operating Reserves	13.0	3.0	2.0	2.0	2.0	2.0	2.0	26.0
Total	323.7	341.0	354.8	367.0	378.8	388.9	399.6	2,553.7
Net Revenues	270.3	239.6	253.2	248.2	249.4	252.5	255.2	1,768.5
Less: Debt Service	127.4	132.3	163.5	195.4	208.0	234.1	266.0	1,326.5
Net Revenues After Debt Service	142.9	107.3	89.7	52.8	41.5	18.4	-10.8	442.0
Less: Retained for Operating Reserves	-5.0	-5.0	10.0	-	-	-	-	-
Net Revenues	137.9	102.3	99.7	52.8	41.5	18.4	-10.8	442.0
Less:								
Reserve Maintenance Provisions (2)	69.8	20.0	19.1	-	-	-	-	108.9
Other Authority Projects (3)	54.3	56.9	45.3	45.5	50.6	49.6	51.1	353.4
General Reserve Fund	11.7	25.4	35.1	34.4	29.4	26.7	27.6	190.3
General Reserve Fund - CP1, CP 2 BAN's	1.1	-	-	-	-	-	-	1.1
Balance After Reserve Maintenance Provisions, Other Authority Projects and General Reserve Fund	1.0	0.0	0.2	-27.1	-38.6	-57.8	-89.5	-211.8
Adjustments for Cash Basis	-1.0	-	-	-	-	-		-1.0
Net Balance Available for Working Capital	$0.0	$0.0	$0.0	-$27.1	-$38.6	-$57.8	-$89.5	-$212.80
Debt Service Coverage Ratio	2.12 X	1.81 X	1.55 X	1.27 X	1.20 X	1.08 X	0.96 X	

(1) Totals may not add due to rounding.

(2) Shows the Reserve Maintenance Fund requirement will be funded from Debt proceeds when sufficient revenues are not available.

(3) As of 10/31/2007, expenditures for I-84 are to be funded from NYS Department of Transportation.

VI. PROPOSED MODIFICATIONS TO TOLL RATES

As noted in the Table V-5, operational deficits and low phased pay-as-you-go financing levels are anticipated in the out-years of the baseline Multi-Year Financial Plan. However, of particular concern, without additional action by the Authority, debt service coverage ratios (the ratio of Net Revenues to Debt Service) in the latter years of the forecast decline below limits established in the Authority's Board-adopted Fiscal Management Guidelines and the requirements of the General Revenue Bond Resolution and the Authority's Multi-Year Capital Program would not be fully financed. Without additional pay-as-you-go resources, the Authority would be increasingly dependent on bond financing at higher interest rates if current bond ratings are not preserved.

In an effort to address these issues, Thruway staff has provided us with a multi-year step approach which includes raising revenues through a toll adjustment, beyond the previously approved cash increase scheduled for January 6, 2008.

The proposed toll adjustment can be summarized as follows:

- July 2008 E-ZPass discounts, which have previously been 10 percent off the cash rates for passenger cars and 5 percent for commercial vehicles, would be modified to be 5 percent below the cash rates for both vehicle classes. The increase scheduled for January 2008 would increase the cash rate by 10 percent while retaining the current E-ZPass rate, which effectively increases the E-ZPass discount to 18 percent for passenger cars and 14 percent for commercial vehicles. In July 2008, it is proposed to bring discounts for both passenger and commercial classes to 5 percent.

- January 2009 An increase of 5 percent in cash rates on the controlled system for passenger and commercial vehicles, with varying cash and E-ZPass increases at the Barriers and increases in commuter rates.

- July 2009 Elimination of the "special" discounts for the S class commercial vehicles.

- January 2010 An increase of 5 percent in cash rates on the controlled system for passenger and commercial vehicles, increases for commercial vehicles (and passenger cars pulling trailers) at the Tappan Zee Bridge and Spring Valley Barriers, and increases in commuter rates.

We have estimated the effects of this proposed toll structure on traffic, both in terms of the loss of traffic and shifts of traffic.

A. Proposed Toll Adjustments for Year 2008

As part of the May 2005 program authorized by the Authority, there is a scheduled toll increase for cash customers on the controlled system of 10 percent that will be effective January 6, 2008. At the barriers, rates will rise as well, but at different rates, primarily rounding the increases to the nearest $0.25, as shown in **bold** in the following table.

TABLE VI-1		
Passenger Car Rates	2007	Jan 2008
Controlled System (per mile)		
Cash	$ 0.0388	**$ 0.0427**
E-ZPass	$ 0.0349	$ 0.0349
Permit	$ 0.0349	$ 0.0349
Annual Fee	$80.00	$80.00
Tappan Zee Bridge		
Cash	$ 4.00	**$ 4.50**
E-ZPass	$ 3.60	$ 3.60
Commuter	$ 2.00	$ 2.00
Car Pool	$ 0.50	$ 0.50
Monthly MINs	$40.00	$40.00
New Rochelle		
Cash	$ 1.25	**$ 1.50**
E-ZPass	$ 1.13	$ 1.13
Commuter	$ 1.00	$ 1.00
Monthly MINs	$20.00	$20.00
Yonkers & Harriman		
Cash	$ 0.75	**$ 1.00**
E-ZPass	$ 0.68	$ 0.68
Commuter	$ 0.50	$ 0.50
Monthly MINs	$17.50	$17.50
Grand Island Bridges		
Cash	$ 0.75	**$ 1.00**
E-ZPass	$ 0.68	$ 0.68
Resident	$ 0.09	$ 0.09
Commuter	$ 0.25	$ 0.25
Monthly MINs	$ 5.00	$ 5.00

Since the passenger car cash rates would increase, but E-ZPass rates would not, the E-ZPass general discount would be significantly larger than the 10 percent in effect today. The same holds true for the value of the commercial E-ZPass discount.

It is expected that this toll change will result in some loss in cash traffic and a shift from cash usage to E-ZPass usage. Appendix Table A-2 provides more detailed information regarding the toll schedules that are proposed for this phase of the program.

In July of 2008, a second round of rate changes would be put into place, changing the E-ZPass discount so that it amounts to 95 percent of the cash rate, as shown in Table VI-2.

TABLE VI-2

	Jan 2008	July 2008
Controlled System (per mile)		
Cash	**$ 0.0427**	$ 0.0427
E-ZPass	$ 0.0349	**$ 0.0406**
Permit	$ 0.0349	**$ 0.0406**
Annual Fee	$80.00	$80.00
Tappan Zee Bridge		
Cash	**$ 4.50**	$ 4.50
E-ZPass	$ 3.60	**$ 4.28**
Commuter	$ 2.00	$ 2.00
Car Pool	$ 0.50	$ 0.50
Monthly MINs	$40.00	$40.00
New Rochelle		
Cash	**$ 1.50**	$ 1.50
E-ZPass	$ 1.13	**$ 1.43**
Commuter	$ 1.00	$ 1.00
Monthly MINs	$20.00	$20.00
Yonkers & Harriman		
Cash	**$ 1.00**	$ 1.00
E-ZPass	$ 0.68	**$ 0.95**
Commuter	$ 0.50	$ 0.50
Monthly MINs	$17.50	$17.50
Grand Island Bridges		
Cash	**$ 1.00**	$ 1.00
E-ZPass	$ 0.68	**$ 0.95**
Resident	$ 0.09	$ 0.09
Commuter	$ 0.25	$ 0.25
Monthly MINs	$ 5.00	$ 5.00

This toll change will result in some loss in traffic, and a shift of users from E-ZPass to commuter and permit usage, as drivers weigh the relative economic benefits of each payment type. Appendix Table A-3 provides more detailed information regarding the toll schedules that are proposed for this phase of the program.

B. Proposed Toll Adjustments for Year 2009

In January of 2009, a general 5 percent increase in all rates on the controlled system is proposed, with increases at the barriers of either $.25 or $.50 (except at the Grand Island Bridges).

TABLE VI-3		
	July 2008	Jan 2009
Controlled System (per mile)		
Cash	$ 0.0427	**$ 0.0448**
E-ZPass	**$ 0.0406**	**$ 0.0426**
Permit	**$ 0.0406**	**$ 0.0426**
Annual	$80.00	**$84.00**
Tappan Zee Bridge		
Cash	$ 4.50	**$ 5.00**
E-ZPass	**$ 4.28**	**$ 4.75**
Commuter	$ 2.00	**$ 3.00**
Car Pool	$ 0.50	$ 0.50
Monthly MINs	$40.00	**$60.00**
New Rochelle		
Cash	$ 1.50	**$ 1.75**
E-ZPass	**$ 1.43**	**$ 1.66**
Commuter	$ 1.00	**$ 1.05**
Monthly MINs	$20.00	**$21.00**
Yonkers & Harriman		
Cash	$ 1.00	**$ 1.25**
E-ZPass	**$ 0.95**	**$ 1.19**
Commuter	$ 0.50	**$ 0.53**
Monthly MINs	$17.50	**$18.55**
Grand Island Bridges		
Cash	$ 1.00	$ 1.00
E-ZPass	**$ 0.95**	$ 0.95
Resident	$ 0.09	$ 0.09

Commuter	$ 0.25	**$ 0.26**
Monthly MINs	$ 5.00	**$ 5.20**

Note that the 5 percent increase also applies to commuter rates, and it will apply as well to monthly minimums. Commercial vehicles rates would also change with a 5 percent increase for all users on the controlled system and proportionate adjustments at the barriers.

It is expected that these rates would create some small loss in both cash and E-ZPass traffic. Appendix Table A-4 provides more detailed information regarding the toll schedules that are proposed for this phase of the program.

In July of 2009, the proposed toll adjustment would remove all special commercial vehicle rates, the so-named "S" classes on the Thruway, so that these vehicles would simply be allowed the 5 percent discount afforded by E-ZPass. These S-class discounts had been implemented in 2005 to mitigate the large toll increases for 48" trailer combinations resulting from that year's toll reclassification. Appendix Table A-5 provides more detailed information regarding the toll schedules that are proposed for this phase of the program.

Of all the phases in the proposed toll program, the removal of the special "S" class rates has the greatest potential for the reduction in traffic for these commercial vehicles, as the rate increases as perceived by the users are greater than other phases in the proposed schedule of rate changes. Even then, it is expected that the overall decrease in these commercial vehicles will be modest, as the Thruway is such an essential route for commercial vehicles, providing a faster and safer route, with better services than most alternative routes.

C. Proposed Toll Adjustments for Year 2010

In January of 2010, a general 5 percent increase is proposed in all rates on the controlled system. Although there would be no changes to cash or E-ZPass rates at the barriers (except for passenger vehicles with a trailer and commercial vehicles at the Tappan Zee Bridge and Spring Valley Barrier). The monthly minimums for commuter and annual permits would be raised 5 percent.

TABLE VI-4		
	Jan 2009	Jan 2010
Controlled System (per mile)		
Cash	**$ 0.0448**	**$ 0.0470**
E-ZPass	**$ 0.0426**	**$ 0.0447**
Permit	**$ 0.0426**	**$ 0.0447**
Annual	**$84.00**	**$88.00**
Tappan Zee Bridge		
Cash	**$ 5.00**	$ 5.00
E-ZPass	**$ 4.75**	$ 4.75
Car Pool	$ 0.50	$ 0.50
Commuter	**$ 3.00**	$ 3.00
Monthly MINs	$60.00	$60.00
New Rochelle		
Cash	**$ 1.75**	$ 1.75
E-ZPass	**$ 1.66**	$ 1.66
Commuter	**$ 1.05**	**$ 1.10**
Monthly MINs	$21.00	**$22.00**
Yonkers & Harriman		
Cash	**$ 1.25**	$ 1.25
E-ZPass	**$ 1.19**	$ 1.19
Commuter	**$ 0.53**	**$ 0.55**
Monthly MINs	$18.55	**$19.25**
Grand Island Bridges		
Cash	$ 1.00	$ 1.00
E-ZPass	$ 0.95	$ 0.95
Resident	$ 0.09	$ 0.09
Commuter	**$ 0.26**	**$ 0.28**
Monthly MINs	$ 5.20	**$ 5.60**

It is expected that these rates would create some loss in both cash and E-ZPass traffic. Appendix Table A-6 provides more detailed information regarding the toll schedules that are proposed for this phase of the program.

VII. ESTIMATED FUTURE TRAFFIC, REVENUES, EXPENSES AND NET REVENUES WITH PROPOSED TOLL ADJUSTMENT

The toll adjustments that occurred in May of 2005 included a simplification of vehicle classes, reducing commercial vehicles from 43 classes to nine (9) classes. This also meant that there is currently an accurate delineation of vehicle class activity for the first time in many years. We developed a year 2006 base set of traffic and revenue statistics by facility location, by payment type and by vehicle class to create a new annual base of traffic and revenue. Applying the traffic loss and shifts for each of the proposed toll adjustments, and where appropriate, dividing the annual information into six month periods, we were able to determine the effect of traffic and revenue changes of the proposed toll adjustments to the Authority.

A. Revenues

The underlying growth of traffic built into the forecasts reflect a period of slower growth in economic activity than we have previously assumed for the Thruway corridor. Table VII-1 indicates that the traffic growth is further subdued by the reduction due to the proposed toll increase. During the forecast period, the projected growth in traffic ranges from below 1 percent in the first few years to a longer range growth rate of 2.3 percent in the later years.

In general, the traffic using the Thruway is not particularly elastic to changes in tolls, as there are typically few acceptable alternatives to most Thruway facilities. As a result, it is expected that the losses of traffic will be small, with most of the traffic changes being shifts among payment types as users weigh the economic benefits of various discount programs. Therefore these toll adjustments produce significant revenue increases compared to the current toll structure with only modest reductions in traffic.

TABLE VII-1

Projections of Annual Toll Traffic & Revenues
(millions)

Traffic Year	Passenger Cars			Commercial			Total			% Change over Prior Year
	Ticket	Barrier	Total(1)	Ticket	Barrier	Total(1)	Ticket	Barrier	Total(1)	
2006 *	127.8	100.2	227.9	17.7	10.0	27.7	145.5	110.2	255.6	
2007	127.5	101.2	228.8	17.9	10.2	28.0	145.4	111.4	256.8	0.5%
2008	127.9	100.5	228.4	18.0	10.2	28.2	145.9	110.7	256.6	-0.1%
2009	129.3	100.3	229.6	18.2	10.2	28.4	147.5	110.5	258.0	0.5%
2010	131.9	102.2	234.1	18.5	10.4	28.9	150.5	112.6	263.0	2.0%
2011	135.2	104.1	239.3	19.0	10.6	29.6	154.2	114.7	268.9	2.2%
2012	138.6	106.1	244.7	19.5	10.8	30.2	158.1	116.8	274.9	2.2%
Revenue Year	**Passenger Cars**			**Commercial(2)**			**Total(3)**			**% Change over Prior Year**
	Ticket	Barrier	Total(1)	Ticket	Barrier	Total(1)	Ticket(1)	Barrier(1)	Total(1)	
2006 *	$183.7	$141.1	$324.8	$188.0	$50.0	$238.0	$371.7	$191.1	$542.0	
2007	$183.2	$141.9	$325.1	$189.0	$50.0	$239.0	$372.2	$191.9	$542.8	0.1%
2008	$200.4	$158.8	$359.2	$203.9	$54.2	$258.1	$404.3	$213.0	$594.7	9.6%
2009	$219.2	$193.1	$412.2	$228.5	$62.1	$290.6	$447.7	$255.1	$677.0	13.8%
2010	$234.7	$196.7	$431.5	$250.2	$65.7	$315.9	$484.9	$262.4	$719.1	6.2%
2011	$240.6	$200.1	$440.7	$256.5	$66.7	$323.2	$497.1	$266.9	$734.8	2.2%
2012	$246.6	$203.6	$450.2	$262.9	$67.8	$330.7	$509.5	$271.4	$750.9	2.2%

(1) Totals may not add due to rounding.
(2) Does not include commercial vehicle volume discounts.
(3) Includes commercial vehicle volume discounts.

* These figures do not include the 2006 traffic and revenues for Buffalo City Line and Black Rock barriers for comparison purposes.

Concession revenues were projected by the Authority based upon historical receipts. For the forecast period, the Authority has assumed a constant concession revenue of $12.7 million per year, based upon recent concession contracts and status of the facilities.

In addition to toll and concession revenue, the Authority also realizes annual income from special hauling fees, sundry revenues, and sale of surplus property. The Authority estimates that revenues from these sources will total $15.3 million in 2007 increasing to $17.6 million in 2012. Interest deposited into the Revenue Fund is estimated to range from $10 million in 2007 to $8.7 by 2012. Interest income deposited in the Revenue Fund is projected to be $8 million and increase to $8.9 million in 2012.

Total revenue from tolls, concessions and other revenues are presented in Table VII-2.

TABLE VII-2
Total Revenues

Year	Passenger	Commercial [1]	Total Toll Revenues	Other Revenues Including Concessions	Total Revenue
2007	$325.1	$217.7	$542.8	$37.8	$580.6
2008	$359.2	$235.5	$594.7	$35.8	$630.5
2009	$412.2	$264.8	$677.0	$36.9	$713.9
2010	$431.5	$287.7	$719.1	$38.3	$757.4
2011	$440.7	$294.1	$734.8	$39.0	$773.8
2012	$450.2	$300.7	$750.9	$39.1	$790.0

[1] Includes commercial vehicle volume discounts.

B. Operating Expenses

The Authority has updated its estimates of operating expenses for the forecast period. As shown in Table VII-3, operating expenses are projected to grow from $341 million in 2007 to $399.6 million in 2012. Additional operating and maintenance expenses net of Federal aid received for the Canal System are expected to increase from $44.2 million to $51.1 million and the operating expenses for I-84 are $12.7 million in 2007 and have decreased to $10.4 million in 2008. As previously discussed, the operating and maintenance expenses for I-84 will be fully reimbursed by the New York State Department of Transportation pursuant to a one year contract. Additional reimbursements are contingent upon the Legislature making annual appropriations in the State Budget and the DOT and the Authority extending the contract. As a result, the "I-84 and Canal System" operating and maintenance expenses for 2008 through 2012 that are contained in Table VII-2 only include such expenses for the Canal System.

TABLE VII-3

Projected Operating and Maintenance Expenses
2007 – 2012
(millions)

Year	Thruway	I-84 & Canal System	Total Operating & Maintenance Expenses
2007	$341.0	$56.9	$397.9
2008	$354.8	$45.3	$400.1
2009	$367.0	$45.5	$412.5
2010	$378.8	$50.6	$429.4
2011	$388.9	$49.6	$438.5
2012	$399.6	$51.1	$450.7

C. Typical Changes in Toll Rates

Table VII-4 provides typical changes in tolls and rates for a sample of trips on the controlled system. As noted, for E-ZPass customers, the total change in trip rate from 2007 to 2012 for passenger cars is one cent per mile.

TABLE VII-4

Typical Changes in Tolls and Rates – Sample of Trips

	Current		Jan 2008	July 2008	Jan 2009		Jan 2010		Total Change from Jan 2008 Cash Rate	Per Mile Change Cash	Total Change from E-ZPass	Per Mile Change E-ZPass
	Cash	E-ZPass	Cash	E-ZPass	Cash	E-ZPass	Cash	E-ZPass				
Woodbury (15) to Newburgh (17)												
Passenger Car (2L)	$1.15	$1.04	$1.30	$1.23	$1.35	$1.28	$1.40	$1.33	$0.10	$0.01	$0.29	$0.01
Tractor Trailer (5H)	5.85	5.56	6.45	6.13	6.75	6.41	7.10	6.74	0.65	0.02	1.19	0.04
Woodbury (15) to Albany (24)												
Passenger Car (2L)	4.60	4.14	5.05	4.80	5.26	5.00	5.55	5.27	0.50	0.01	1.14	0.01
Tractor Trailer (5H)	23.15	21.99	25.50	24.22	26.76	25.42	28.10	26.69	2.60	0.02	4.71	0.04
Albany-Downtown (23) to Schenectady (25)												
Passenger Car (2L)	0.50	0.45	0.55	0.52	0.55	0.53	0.60	0.57	0.05	0.01	0.12	0.01
Tractor Trailer (5H)	2.35	2.23	2.60	2.47	2.71	2.58	2.85	2.70	0.15	0.01	0.47	0.04
Albany-Northway (24) to Schenectady (25)												
Passenger Car (2L)	0.25	0.23	0.30	0.29	0.30	0.28	0.30	0.29	0.00	0.00	0.06	0.01
Tractor Trailer (5H)	1.20	1.14	1.30	1.24	1.36	1.29	1.45	1.38	0.15	0.03	0.24	0.04
Verona (33) to Syracuse (34A)												
Passenger Car (2L)	0.95	0.85	1.05	1.00	1.10	1.04	1.15	1.10	0.10	0.01	0.24	0.01
Tractor Trailer (5H)	4.70	4.47	5.20	4.94	5.46	5.19	5.75	5.46	0.55	0.02	0.99	0.04
Canandaigua (44) to Rochester (45)												
Passenger Car (2L)	0.15	0.15	0.20	0.19	0.20	0.19	0.20	0.19	0.00	0.00	0.06	0.01
Tractor Trailer (5H)	0.80	0.76	0.85	0.80	0.90	0.85	0.95	0.91	0.10	0.03	0.14	0.04
Depew (49) to Williamsville (50)												
Passenger Car (2L)	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.00	0.00	0.00	0.00
Tractor Trailer (5H)	0.65	0.61	0.70	0.66	0.70	0.66	0.75	0.72	0.05	0.02	0.10	0.03
Albany-Northway (24) to Williamsville (50)												
Passenger Car (2L)	10.60	9.54	11.65	11.07	12.23	11.62	12.85	12.21	1.20	0.01	2.67	0.01
Tractor Trailer (5H)	53.75	51.07	59.10	56.15	62.05	58.95	65.15	61.89	6.05	0.02	10.83	0.04
Lackawanna (55) to Ripley (61)												
Passenger Car (2L)	2.60	2.34	2.85	2.71	3.01	2.86	3.15	2.99	0.30	0.01	0.65	0.01
Tractor Trailer (5H)	13.15	12.50	14.45	13.73	15.19	14.43	15.90	15.11	1.45	0.02	2.61	0.04

D. Debt Service Requirements

In developing the financial plan for the Multi-Year Capital Program, the Authority has recognized the program includes both projects with relatively long useful lives, and others with shorter useful lives. The Authority's financing plan with the toll adjustment will allow for an appropriate split between pay-as-you-go revenues and long term debt. Table VII-5 presents the debt service.

TABLE VII-5

Debt Service Requirements
With Toll Adjustment
(millions)

Year	Current	New	Total
2007	$ 132.3	$ 0.0	$ 132.3
2008	162.7	0.4	163.1
2009	163.5	25.4	188.9
2010	162.4	36.0	198.4
2011	162.1	56.5	218.6
2012	161.5	83.2	244.7
Total	$ 944.5	$ 201.5	$ 1,146.0

E. Revenues Compared with Requirements

As shown in Table VII-6, the revenues available in each year with the proposed toll adjustments are sufficient through 2012 to meet the requirements (detailed in the summary below) of the General Revenue Bond Resolution, provide for the projected operating costs and fund the capital program to maintain the Thruway in its current good condition and initiate critical congestion relief improvements. The financial projections are presented in the format consistent with the flow of funds set forth in the Authority's Fiscal Management Guidelines and General Revenue Bond Resolution. Also included for comparative purposes are the actual 2006 results.

These revenue increases have a significantly positive effect upon the financial results of the Thruway operations. Comparing this table to Table V-6, of particular import is that the debt service coverage ratios for the period have improved in the later years, from below 1.0X in Table V-6 to above 1.7X from 2009 to 2011, meeting the goal established by the Authority Audit and Finance Committee for the proposed toll adjustments.

Table VII-6
Revenues and Operating Expenses
(millions)

	Actual 2006	Revised 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Total(1)
Total Revenues	$594.0	$580.6	$630.5	$713.9	$ 757.4	$773.8	$790.0	$4,840.2
Available Revenues	594.0	580.6	630.5	713.9	757.4	773.8	790.0	4,840.2
Less:								
Operating Expenses	310.7	338.0	352.8	365.0	376.8	386.9	397.6	2,527.7
Operating Reserves	13.0	3.0	2.0	2.0	2.0	2.0	2.0	26.0
Total	323.7	341.0	354.8	367.0	378.8	388.9	399.6	2,553.7
Net Revenues	270.3	239.6	275.8	346.9	378.6	384.9	390.4	2,286.5
Less: Debt Service	127.4	132.3	163.1	188.9	198.4	218.6	244.7	1,273.2
Net Revenues After Debt Service	142.9	107.3	112.6	158.1	180.2	166.3	145.7	1,013.2
Less: Retained for Operating Reserves	-5.0	-5.0	10.0	-	-	-	-	-
Net Revenues	137.9	102.3	122.6	158.1	180.2	166.3	145.7	1,013.2
Less:								
Reserve Maintenance Provisions (2)	69.8	20.0	42.2	78.2	100.2	90.0	67.0	467.3
Other Authority Projects (3)	54.3	56.9	45.3	45.5	50.6	49.6	51.1	353.4
General Reserve Fund	11.7	25.4	35.1	34.4	29.4	26.7	27.6	190.3
General Reserve Fund - CP1, CP 2 BAN's	1.1	-	-	-	-	-	-	1.1
Balance After Reserve Maintenance Provisions, Other Authority Projects and General Reserve Fund	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Adjustments for Cash Basis	-1.0	-	-	-	-	-	-	-1.0
Net Balance Available for Working Capital	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Debt Service Coverage Ratios	2.12x	1.81x	1.69x	1.84x	1.91x	1.76x	1.60x	

(1) Totals may not add due to rounding.
(2) Shows the Reserve Maintenance Fund provision will be funded from Debt proceeds when sufficient revenues are not available.
(3) As of 10/31/2007; expenditures for I-84 are to be fully reimbursed by NYS Department of Transportation, subject to annual contract renewals.

F. Funding Sources

Table VII-7 shows the estimated annual costs and projected funding sources from 2007 through 2012. With the proposed toll adjustments, the Authority will be able to fund its current Multi-Year Capital Program, including capacity improvements and operate and maintain the system through 2012. Adequate funds will also be generated to fulfill the additional responsibilities mandated by the State Legislature in 1990 and 1992 relative to the I-287 and the Canal System.

TABLE VII-7

Projected Funding Sources
2007-2012
(millions)

Year	Total Requirements	Funding Sources				
		Federal Aid	Other	Bond Proceeds	Revenue From Tolls, etc.	Total
2007	$ 977.4	$ 44.5	$ 124.4	$ 232.9	$ 575.6	$ 977.4
2008	1,127.3	30.4	31.8	422.4	642.7	1,127.3
2009	1,086.9	14.4	17.8	340.7	713.9	1,086.9
2010	1,092.8	10.0	21.1	304.3	757.4	1,092.8
2011	1,094.6	12.0	23.6	285.3	773.8	1,094.6
2012	1,133.4	7.1	14.7	321.6	790.0	1,133.4
Total	$6,512.4	$118.4	$233.4	$1,907.2	$4,253.4	$6,512.4

Note: Numbers may not add due to rounding.

G. Conclusion

We have estimated the effects of these proposed toll adjustments on traffic, both in terms of the potential loss of traffic and shifts of traffic. In our opinion, the proposed toll adjustments will result in only small changes in traffic patterns and provide adequate revenues to fund, to a reasonable level, the pay-as-you-go portion of the current Multi-Year Capital Program, to pay for the necessary maintenance and operating expenses, and to maintain necessary levels of coverage on the revenue bond debt service, and meet the covenants of the General Revenue Bond Resolution and the requirements of the Authority's Fiscal Management Guidelines during the forecast period. Specifically, we concur with the Authority, that the proposed toll adjustments analyzed in this report will provide sufficient Net Revenues during the forecast period to comply with the revenue covenant set forth in Section 609(1)(b) of the General Revenue Bond Resolution, and will provide additional Net Revenues to eliminate any deficiency

in funds and accounts held under the General Revenue Bond Resolution at the earliest practicable time.

With the recommended toll adjustments, the Authority's current Multi-Year Capital Program can be fully implemented providing for the needed reconstruction and congestion relief improvements and assuring the maintenance of the current condition of the highway and bridges. As a result, the Authority will continue to provide service to its customers at the current high levels and will continue to fulfill its role in supporting the State's economy through the forecast period and meeting the requirements of the operating and maintenance covenants of the General Revenue Bond Resolution. A review of the Authority's needs after the completion of the Authority's current Multi-Year Capital Program in 2011 will indicate what further actions might be required at that time.