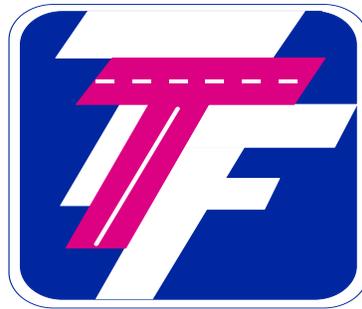


# **New Jersey Transportation Trust Fund Authority Fiscal Year 2009 Financial Plan**

## **Plan for Financing Anticipated NJDOT/NJT Capital Program Outlays for Fiscal Year 2009**



**NEW JERSEY  
TRANSPORTATION  
TRUST FUND**

*Prepared by  
Transportation Trust Fund Authority*

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Governor Jon S. Corzine

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## I. Introduction

The New Jersey Transportation Trust Fund Authority (“NJTTFA”) is responsible for funding the State portion of the capital programs of the New Jersey Department of Transportation (“NJDOT”) and New Jersey Transit Corporation (“NJ Transit”) as well as local-aid programs. Each year the NJTTFA must adopt a Financial Plan designed to implement the financing of the proposed projects. By statute, the Financial Plan must meet the following requirements:

“The financial plan shall contain an enumeration of the bonds, notes or other obligations of the authority which the authority intends to issue, including the amounts thereof and the conditions therefor. The financial plan shall set forth a complete operating and financial statement covering the authority's proposed operations during the ensuing fiscal year, including amounts of income from all sources, including but not limited to the proceeds of bonds, notes or other obligations to be issued, as well as interest earned. In addition, the plan shall contain proposed amounts to be appropriated and expended, as well as amounts for which the department anticipates to obligate during the ensuing fiscal year for any future expenditures.

The NJTTFA is able to meet its obligation to fund its share of the programs through annual State appropriations secured by revenues from the Motor Fuels Tax, Petroleum Gross Receipts Tax, Sales Tax (new vehicle sales), toll road contributions, heavy truck registrations, good driver surcharges, investment earnings, and the incurrence of debt.

## II. Prior Years' Results

The following table summarizes the results of the NJTTFA's operations for Fiscal Years 1985 through Fiscal Year 2007 and the expected results for Fiscal Year 2008

**Summary of Operations (FY 1985-2008)**  
(Dollar Amount in Thousands)

<b>Description</b>	<b>Actual 1985-2007</b>	<b>Estimated 2008</b>	<b>Actual &amp; Est Thru 2008</b>
<b>Authority Obligations (Uses)</b>			
Program Appropriations	17,191,750	1,350,000	18,541,750
Debt Service	5,254,646	635,567	5,890,213
Authority Expenses	12,936	1,983	14,919
Total Authority Obligations	22,459,332	1,987,550	24,446,882
<b>Authority Funding Sources</b>			
Revenue Appropriations	9,817,395	895,000	10,712,395
Interest Earnings	488,414	24,900	513,314
Bond Premiums	143,160	26,430	169,590
Net Bond Proceeds	9,656,686	1,171,055	10,827,741
Total Authority Funding	20,105,655	2,117,385	22,223,040
<b>Balance Unfunded</b>	<b>2,353,677</b>	<b>-129,835</b>	<b>2,223,842</b>

The \$2.2 billion “balance unfunded” calculation for 1985 through 2008 reflects the fact that the NJTTFA only issues bonds to meet cash flow obligations, not the full value of capital program appropriations. The “program appropriations” calculation shows the contract or obligation authority the Legislature has provided to NJDOT/NJ Transit for Transportation Trust Fund projects since Fiscal Year 1985. However, the costs of most transportation capital projects are paid out in cash to vendors over a number of years—particularly large road and bridge construction projects. The NJTTFA only issues bonds for anticipated cash outlays in the current year. Accordingly, the \$2.2 billion calculation reflects the project appropriations since 1985 that have not been fully disbursed to vendors.

### **III. Debt Issuances**

#### **A. Debt Issuances - Fiscal Year 2009's \$1.6 Billion Capital Program**

The Governor’s budget for Fiscal Year 2009 provides \$1.6 billion of appropriation authority for NJDOT/NJ TRANSIT’s Fiscal Year 2009 capital program. In addition to cash outlays from that proposed program that will occur in Fiscal Year 2009, the NJTTFA must fund cash outlays for previously authorized projects. As in past years, the NJTTFA plans to incur debt only at levels necessary to maintain a minimum level of cash and investments equal to the anticipated cash needs for each ensuing twelve-month period. Based upon anticipated cash flows of previously authorized projects and \$1.6 billion of new spending authority, the NJTTFA expects to issue approximately \$1.2 - \$1.6 billion in new money bonds for Fiscal Year 2009. The new money bonds will have maturities up to 31 years as authorized by the March 2006 amendments to the New Jersey Transportation Trust Fund Act, enacted on March 23, 2006 as P.L. 2006, c.3 (the “2006 Amendments”). The bonds are anticipated to be a mixture of Current Interest Bonds and Capital Appreciation Bonds.

Debt service coverage is provided by constitutionally dedicated revenues comprised of Motor Fuels Taxes (\$.105) per gallon, but not less than \$483 million in each fiscal year, an amount equivalent to the revenues derived from the tax imposed on the sale of petroleum products of not less than \$200 million in each fiscal year beginning with Fiscal Year 2002, and an amount equivalent to the revenues derived from the tax imposed under the Sales and Use Tax Act on the sale of new motor vehicles of not less than \$200 million for Fiscal Year 2004 and each fiscal year thereafter. The Authority also anticipates receipt of no less than \$12 million of the \$24.5 million collected by State from Toll Road Contributions which are currently dedicated to the Transportation Trust Fund Authority by Statute. These revenues, as well as other statutorily dedicated revenues derived from the extra three cents (\$.03) per gallon tax on diesel fuel, heavy truck registration fees, and the “Good Driver Surcharge” are subject to annual appropriation by the Legislature.

The NJTTFA may decide to accelerate, decelerate, or split the projected debt issuance based upon what the Authority deems to be in the best interest of the State taking into account market conditions or other reasons. A summary of the projected NJTTFA’s cash flows for Fiscal Year 2009 is provided below:

**Fiscal Year 2009: Statement of Anticipated Changes in Cash Position**

<b>Description</b>	<b>Low Est.</b>	<b>High Est</b>
Estimated July 1, 2008 Cash Balance	<b>\$260,463,147</b>	<b>\$260,463,147</b>
<b>Receipts:</b>		
State Appropriations:		
Motor Fuels Tax	483,000,000	483,000,000
Petroleum Products Tax	200,000,000	200,000,000
Sales Tax	200,000,000	200,000,000
Toll Road Contributions	12,000,000	12,000,000
	895,000,000	895,000,000
Interest Income	26,200,000	26,200,000
Bond Proceeds	1,200,000,000	1,600,000,000
Total Receipts	<b>2,121,200,000</b>	<b>2,521,200,000</b>
<b>Disbursements:</b>		
State Transportation Project Costs	1,355,000,000	1,600,000,000
TTF Debt Service	712,307,610	727,307,610
NJT COPs Debt Service	111,665,000	111,665,000
Authority Operating Expenses	966,700	966,700
Total Disbursements	<b>2,179,939,310</b>	<b>2,439,939,310</b>
<b>Estimated July 1, 2009 Balance</b>	<b>\$201,723,837</b>	<b>\$341,723,837</b>

The additional \$1.2 - \$1.6 billion in new money bonds will be issued as “state contract” bonds backed by the existing contract between the State Treasurer and the Authority. This contract pledges that any dedicated NJTTFA revenues appropriated by the Legislature will be made available to the Authority for debt service payments.

**B. Constitutional Dedication**

Pursuant to Article VIII, Section 2, Paragraph 4 of the New Jersey State Constitution, certain revenues are dedicated to the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in the State. The Legislature may not borrow, appropriate or use these amounts or any portion thereof for any other purpose. These constitutionally dedicated revenues include (a) for each State fiscal year commencing on and after July 1, 2007, an amount equivalent to the revenue derived from \$0.105 per gallon from the tax imposed on the sale of motor fuels pursuant to Chapter 39 of Title 54 of the Revised Statutes; (b) for the State fiscal year, commencing on July 1, 2000, an amount not less than \$100,000,000 derived from the State revenues collected from the tax imposed on the sale of petroleum products pursuant to P.L. 1990, c. 42 (C. 54:15B-1 et seq.) as amended and supplemented, and for each State fiscal year thereafter not less than \$200,000,000; and (c) for the State fiscal year commencing July 1, 2001, an amount not less than \$80,000,000 from the State revenue collected from the State tax imposed under the “Sales and Use Tax Act,” pursuant to P.L. 1966, c. 30 (C. 54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect, for the State fiscal year commencing July 1, 2002, an amount not less than \$140,000,000, and in each State fiscal year thereafter an amount not less than \$200,000,000. These constitutionally dedicated revenues may, but are not required to be used, subject to appropriation by the Legislature, to pay the NJTTFA’s debt.

**Article VIII, Section II, paragraph 4 added effective December 6, 1984; amended effective December 7, 1995, amended effective December 7, 2000, and amended effective December 7, 2006.**

**C. Credit Ratings**

The 2007 Series A bonds of the NJTTFA which were uninsured received ratings of: "A+" by Fitch Investors Service, "A1" by Moody's Investors Service, and "AA-" by Standard & Poor's Corporation. In determining the timing, structure and size of each bond issuance, the NJTTFA considers such factors as current market conditions, cash flow needs, and the impact of the added debt on the NJTTFA's appropriation. The NJTTFA's Bonds have been and continue to be well received by the market.

**D. Debt Issuances – Federal GARVEE Bonds**

Due to the very high cost of some planned bridge reconstruction projects, the NJDOT is requesting that the NJTTFA issue Direct Federal GARVEE bonds that would be used to finance the Route 52 Causeway Replacement Project-Contract B in FY 2009. The NJTTFA previously financed the first stage of this same project, referred to as "Contract A" in FY 2006 (\$131.5M). The Route 52 Contract B project is currently estimated to cost \$270 million. Using Direct GARVEE Bonds, NJDOT would enter into an agreement with the Federal Highway Administration to receive debt service reimbursement rather than construction reimbursement for the Route 52 project. If the NJTTFA were to issue GARVEE's with a standard 12-year repayment structure, annual debt service would be approximately \$30 million annually. Rather than allocate \$270 million of estimated \$900+ million in Federal Highway Administration funds to this one project in FY 2009, the use of GARVEE bonds would lower the amount to only \$30 million. The remaining \$240 million can be used to authorize other high priority projects that will be ready for delivery in FY 2009. No State funding of any type is pledged for repayment of the GARVEE debt service bonds. However, if the NJTTFA issues such GARVEE bonds in FY 2009, the principal amount would count against the NJTTFA's bond cap. Although the current statute authorizes the NJTTFA to issue bonds by pledging future Federal appropriations, there is no specific language exempting such issuances from the Authority's bond cap calculation.

**E. Fiscal Year 2009 Statutory Debt Limit**

The 2006 Amendments to the Transportation Trust Fund Act established new restrictions on the statutory debt limitation. NJ.S.A. 27:1B-9(i), as amended, is set forth below:

"Commencing with the fiscal year beginning July 1, 2006 and ending with the fiscal year beginning on July 1, 2010, the authority shall not incur debt for any fiscal year in excess of \$1,600,000,000, reduced in each of those fiscal years by the amount by which the appropriation of State funds to the Transportation Trust Fund Account for that fiscal year shall exceed \$895,000,000; provided, however, that if a portion of that permitted amount of debt, less any reduction as provided above, is not incurred in a fiscal year, an amount not greater than the unused portion may be incurred in a subsequent fiscal year in addition to the amount otherwise permitted subject to the approval of the Joint Budget Oversight Committee. Debt permitted for the fiscal year beginning July 1, 2006 may be incurred prior to July 1, 2006. Any increase in this limitation shall only occur if so provided for by law. In computing the foregoing limitation as to the amount of debt the authority may incur, the

authority may exclude any bonds, notes or other obligations, including subordinated obligations of the authority, issued for refunding purposes. “

**Transportation Trust Fund Authority  
Statutory Debt Limit**

Description	Low Estimate	High Estimate
<b>Fiscal Year Bonding Credits:</b>		
FY 1996-2005	\$6,950,000,000	\$6,950,000,000
FY 2006	650,000,000	650,000,000
FY 2007	1,600,000,000	1,600,000,000
FY 2008	1,600,000,000	1,600,000,000
FY 2009	1,600,000,000	1,600,000,000
FY 2010	NA	NA
FY 2011	NA	NA
<b>Total</b>	<b>\$12,400,000,000</b>	<b>\$12,400,000,000</b>
<b>Less Authority Bond Issuances</b>		
1996 Series A Thru 2005 Series C	\$6,288,560,000	\$6,288,560,000
2005 Series D	953,020,000	953,020,000
2006 Series A Grant Anticipation	131,555,000	131,555,000
2006 Series C	1,115,496,792	1,115,496,792
2007 Series A	1,171,055,000	1,171,055,000
2008 Series A	1,200,000,000	1,600,000,000
2008 Series A Grant Anticipation	270,000,000	270,000,000
2009 Series A	NA	
2010 Series A	NA	
<b>Total</b>	<b>\$11,129,686,792</b>	<b>\$11,529,686,792</b>
<b>Less Appropriations Exceeding \$895 Million</b>		
FY 2007	0	0
FY 2008	0	0
FY 2009	0	0
FY 2010	NA	NA
FY 2011	NA	NA
<b>Total</b>	<b>0</b>	<b>0</b>
<b>FY 2009 Unused Debt Limit</b>	<b>\$1,270,313,208</b>	<b>\$870,313,208</b>

**IV. Fiscal Year 2009 Operating Budget**

The NJTTFA estimates the following operating expenses will be required to manage the financing operations of the NJTTFA during Fiscal Year 2008 assuming there will be one bond sale. The operating budget is funded from the Legislative appropriations to the NJTTFA:

## Anticipated Operating Expenses

Description	Estimate
Legal Notices	\$1,000
Professional Accounting Services	25,000
Trustee Service Fees	50,000
Variable Rate Bond Fees ( Note 1)	883,200
Contingency	7,500
<b>Total</b>	<b>966,700</b>

Note 1: This cost is based on estimates of annual costs, as follows:

Description	Calculation	Amount
Auction Agent	.00006 x 345,000,000	20,700
Broker/Dealer	.0025 x 345,000,000	862,500
<b>Total</b>		<b>883,200</b>

## Fiscal Year 2009 Anticipated Bond Issuance Costs

The Authority plans to issue new money bonds to support Fiscal Year 2009 project expenditures. At the \$1.2 billion bonding level, the anticipated bond issuance costs for the 2008 Series A New Money Bonds is estimated to be \$6.15 million for underwriting expenses, \$5.25 million for rate insurance, to the extent it is cost effective, and \$1.1 million for other costs of issuance such as rating fees, printing fees, financial advisor fees, Trustee's fees, Bond Counsel fees, and Trustee Counsel fees.

At a \$1.6 billion bonding level the anticipated bond issuance costs for the 2008 Series A New Money Bonds is estimated to be \$8.15 million for underwriting expenses, \$7.0 million for rate insurance, to the extent it is cost effective, and \$1.1 million for other costs of issuance such as rating fees, printing fees, financial advisor fees, Trustee's fees, Bond Counsel fees, and Trustee Counsel fees

The Authority will also incur bond issuance costs for the issue of Direct GARVEE bonds. The anticipated bond issuance costs for the 2008 Series A Grant Anticipation Bonds is anticipated to be \$1.5 million for underwriting expenses, \$1.0 million for rate insurance, to the extent it is cost effective, \$1 million for rate insurance to the extent it is cost effective, and \$750,000 for other costs of issuance such as rating fees, printing fees, financial advisor fees, Bond Counsel fees, and Trustee fees. The cost of issuance for these bonds is fully reimbursable from the Federal Highway Administration.