

# **New Jersey Transportation Trust Fund Authority Fiscal Year 2011 Financial Plan**

## **Plan for Financing Anticipated NJDOT/NJT Capital Program Outlays for Fiscal Year 2011**



**NEW JERSEY  
TRANSPORTATION  
TRUST FUND**

*Prepared by  
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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 therefore. 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 2008 and the expected results for Fiscal Year 2010

**Summary of Operations (FY 1985-2010)**  
(Dollar Amount in Thousands)

Description	Actual 1985-2009	Estimated 2010	Actual & Est Thru 2010
<b>Authority Obligations (Uses)</b>			
Program Appropriations	\$20,335,450	\$1,600,000	\$21,935,450
Debt Service	6,586,120	752,873	7,338,993
Authority Expenses	13,975	2,199	16,174
Total Authority Obligations	\$26,935,545	\$2,355,072	\$29,290,617
<b>Authority Funding Sources</b>			
Revenue Appropriations	\$11,402,900	\$895,000	\$12,297,900
Interest Earnings	508,934	7,938	516,872
Bond Premiums	169,591	0	169,591
Net Bond Proceeds	13,148,120	1,154,016	14,302,136
Total Authority Funding	\$25,229,545	\$2,056,954	\$27,286,499
<b>Balance Unfunded</b>	<b>\$1,706,000</b>	<b>\$298,118</b>	<b>\$2,004,118</b>

The \$2.004 billion “balance unfunded” calculation for 1985 through 2010 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 \$2.004 billion calculation reflects the project appropriations since 1985 that have not been fully disbursed to vendors less any estimated remaining TTFA funds available as of June 30 to fund those obligations.

### **III. Debt Issuances**

#### **A. Debt Issuances - Fiscal Year 2011's \$1.6 Billion Capital Program**

The proposed NJDOT/NJ TRANSIT's Fiscal Year 2011 capital program is \$1.6 billion. In addition to cash outlays from that proposed program that will occur in Fiscal Year 2011, 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 the ensuing twelve-month period. Based upon anticipated cash flows of previously authorized projects and \$1.6 billion in new spending authority, the NJTTFA expects to issue \$1.8 billion (PAR value) in new money bonds to generate approximately \$1.67 billion in project proceeds. The 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”).

Debt service coverage is provided by constitutionally dedicated revenues, comprised of an amount equivalent to revenue derived from the 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 2011 is provided below:

**Fiscal Year 2011: Statement of Anticipated Changes in Cash Position**

<b>Description</b>	<b>Sub-Total</b>	<b>Total</b>
Estimated July 1, 2010 Cash Balance		\$ 121,742,094
<b>Receipts:</b>		
State Appropriations:		
Motor Fuels Tax	\$ 483,000,000.00	
Petroleum Products Tax	200,000,000	
Sales Tax	200,000,000	
Toll Road Contributions	12,000,000	
		895,000,000
Interest Income		10,400,000
Bond Proceeds (\$1.8 billion PAR value)		1,673,146,263
Total Receipts		\$ 2,578,546,263
<b>Disbursements:</b>		
State Transportation Project Costs		1,650,000,000
TTF Debt Service		793,000,000
NJT COPs Debt Service		94,700,000
SJTA South Inlet Multi-Year Funding Agreement		1,932,000
Authority Operating Expenses		4,606,890
Total Disbursements		\$ 2,544,238,890
<b>Estimated July 1, 2011 Balance</b>		\$ 156,049,467

The estimated \$1.8 billion (PAR) 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 or any other subsequent law of similar effect, 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 2009 Series C and D and the 2010 Series A & B bonds of the NJTTFA, which were uninsured, received ratings at the time of issuance 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. Fiscal Year 2011 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	Sub-Total	Total
<b>Fiscal Year Bonding Credits:</b>		
FY 1996-2005	\$6,950,000,000	
FY 2006	650,000,000	
FY 2007	1,600,000,000	
FY 2008	1,600,000,000	
FY 2009	1,600,000,000	
FY 2010	1,600,000,000	
FY 2011	1,600,000,000	
<b>Total</b>		<b>\$15,600,000,000</b>
<b>Less Authority Bond Issuances</b>		
1996 Series A Thru 2005 Series C	\$6,291,885,000	
2005 Series D	953,020,000	
2006 Series A Grant Anticipation	131,555,000	
2006 Series C	1,115,496,792	
2007 Series A	1,171,055,000	
2008 Series A	1,122,744,638	
2009 Series A	142,730,924	
2009 Series B	273,500,000	
2009 Series C	150,000,000	
2009 Series D	147,500,000	
2010 Series A	359,253,361	
2010 Series B	500,000,000	
2010 Series C (Estimated)	1,800,000,000	
<b>Total</b>		<b>\$14,158,740,715</b>
<b>Less Appropriations Exceeding \$895 Million</b>		
FY 2007	0	
FY 2008	0	
FY 2009	0	
FY 2010	0	
FY 2011	0	
<b>Total</b>	0	
<b>FY 2011 Unused Debt Limit</b>	<b>\$0</b>	<b>\$1,441,259,285</b>

**F. Official Intent for Federal Income Tax Purposes**

For the purpose of permitting the proceeds of bonds which may be issued by the Authority to be used to reimburse expenditures paid after the date that this plan is adopted by the Authority (or within 60 days prior to such date) in accordance with the applicable regulations of the U.S. Treasury Department, this capital plan, upon its adoption by the Authority in accordance with law, shall constitute a declaration of the intent of the Authority to issue bonds, as more fully described in III(A) above, in the expected maximum principal amount of \$1,800,000,000, to pay, or reimburse expenditures made prior to the date of issuance of such bonds to pay, costs of the capital program of NJDOT and NJ Transit for the fiscal year 2011 and unpaid costs of the capital programs of NJDOT and NJ Transit for prior fiscal years.

**IV. Fiscal Year 2011 Operating Budget**

The NJTTFA estimates the following operating expenses will be required to manage the

financing operations of the NJTTFA during Fiscal Year 2011 assuming there will be one bond sale. The operating budget is funded from the Legislative appropriations to the NJTTFA:

**Anticipated Operating Expenses**

<b>Description</b>	<b>Estimate</b>
Legal Notices	\$1,000
Professional Accounting Services	30,000
Trustee Service Fees	60,000
Line of Credit Fees	4,465,890
Contingency	50,000
<b>Total</b>	<b>4,606,890</b>

**Fiscal Year 2011  
Anticipated Bond Issuance Costs**

The Authority plans to issue new money bonds to support Fiscal Year 2011 project expenditures. At the \$1.800 billion bonding level, the anticipated bond issuance costs for the 2010 Series C Money Bonds is estimated to be \$9.0 million for underwriting expenses, up to \$5.25 million for bond insurance, to the extent it is available and 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.