
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

LOCATION: Meeting via Teams

DATE: April 23, 2024
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

James M. Rutala, Chair
Liz Mahn, Vice Chair
Senator Paul A. Sarlo
Senator Douglas J. Steinhardt
Assemblyman William W. Spearman
Lisa Almeida
Aaron Binder
Leila Collins
David Drescher



ALSO PRESENT:

James Langsdorf
Executive Director

Brian Onda
Assistant Executive Director

Christine Trappe
Executive Assistant

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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JAMES M. RUTALA (Chair): Thank you.

Good morning.

I will call the meeting to order.

In accordance with the Open Public Meeting Act, the Commission has provided adequate notice of this meeting, including written notice, of the time, date, and location. Notice of the meeting was filed at least 48 hours in advance by email and by fax to the *Trenton Times*, the *Newark Star-Ledger*, and filed with the Secretary of State.

Roll call, please.

MR. LANGSDORF: Thank you, Chairman.

Senator Sarlo.

SENATOR SARLO: Present.

MR. LANGSDORF: Senator Steinhardt.

SENATOR STEINHARDT: Present.

MR. LANGSDORF: Assemblyman Spearman.

ASSEMBLYMAN SPEARMAN: Present.

MR. LANGSDORF: Assemblywoman Muñoz. (no response)

Mr. Aaron Binder.

MR. BINDER: Here.

MR. LANGSDORF: Mr. David Drescher.

MR. DRESCHER: Here.

MR. LANGSDORF: Ms. Leila Collins.

MS. COLLINS: Here.

MR. LANGSDORF: Mr. Patrick Brennan. (no response)

Mr. James Rutala.

MR. RUTALA: Here.

MR. LANGSDORF: Ms. Liz Mahn.

LIZ MAHN (Vice Chair): Here.

MR. LANGSDORF: Chairman, we have a quorum.

MR. RUTALA: All right.

MR. ONDA: Did you say Lisa Almeida? I'm sorry.

MR. LANGSDORF: I may not have, but-- And, I apologize.

Ms. Leila Collins.

MR. ONDA: Lisa Almeida.

MR. LANGSDORF: Oh, let me try that again.

Ms. Lisa Almeida.

MS. ALMEIDA: Here; thank you.

MR. LANGSDORF: I am sorry.

MS. ALMEIDA: That's OK.

MR. RUTALA: OK.

Next, we'll have the approval of the minutes from February 23,
2024.

Can I have a motion?

UNIDENTIFIED SPEAKER: So moved.

MR. RUTALA: Thank you.

Second.

MR. BINDER: Second.

MR. RUTALA: Roll call.

MR. LANGSDORF: On the motion to approve the minutes
from February 23.

Senator Sarlo.

SENATOR SARLO: Yes.

MR. LANGSDORF: Senator Steinhardt.

SENATOR STEINHARDT: Yes.

MR. LANGSDORF: Assemblyman Spearman.

ASSEMBLYMAN SPEARMAN: Yes.

MR. LANGSDORF: Assemblywoman Muñoz. (no response)

Mr. Aaron Binder.

MR. BINDER: Yes.

MR. LANGSDORF: Mr. David Drescher.

MR. DRESCHER: Yes.

MR. LANGSDORF: Ms. Lisa Almeida.

MS. ALMEIDA: Yes.

MR. LANGSDORF: Ms. Leila Collins.

MS. COLLINS: Yes.

MR. LANGSDORF: Mr. Patrick Brennan. (no response)

Mr. James Rutala.

MR. RUTALA: Yes.

MR. LANGSDORF: Ms. Liz Mahn.

MS. MAHN: Yes.

MR. LANGSDORF: Chairman, the motion moves.

MR. RUTALA: Thank you.

Next, we have the debt report presentation for Fiscal Year 2023.

D A V I D K. M O O R E: Good morning, Chairman Rutala and Commission members.

I am David Moore, the Director of the Office of Public Finance in the Department of Treasury.

With me is Michael Kanef, the Assistant State Treasurer, and Anthony Longo, Deputy Director of the Office of Public Finance.

Today we will present the State of New Jersey Debt Report for Fiscal Year 2023.

Also, on the call are John Megariotis, Director of the Division of Pensions and Benefits; and Jeff DeCicco, Assistant Director of Financial Reporting in the Office of Management and Budget.

(indiscernible) is here to assist -- sorry. John is here to assist with any pensions or other (indiscernible) employment benefit-related questions, and Jeff is here to assist with the accounting-related questions.

As you know, the Office of Public Finance and the Treasury Agency are responsible for managing the process of borrowing funds for capital purposes, primarily to the issuance of bonds, notes, and other obligations in capital markets. The purpose of the report is to assist the Commission by its acceptance of the report and (indiscernible) Commissions Legislative mandate to improve such a report in its State Capital Improvement Plan.

In addition, the report is made available on our office's website, and provides a data resource document to the Public Finance community.

I will now turn it over to Anthony Longo to present the report.

ANTHONY M. LONGO: Thank you, David.

This year's report is generally consistent in its format with that of prior years. The report comprises eight sections.

Section 1 is an introduction which includes a discussion of the various types of obligations covered and not covered by the report. Section 2 is the Legislative requirement for the report. Section 3 includes the State's

outstanding obligations, which consist of summary tables and charts; (indiscernible) long-term obligation; the 10-year history of outstanding obligations; and a list of legislatively authorized but unissued debt.

Section 4 provides data on the annual debt services associated with the State's outstanding obligations; the summary tables and charts followed by more detailed data. In Section 5, we provide obligation profiles for each bond issue or program funded with bonds. Section 6 provides selected debt metrics which compare New Jersey's standing relative to the other states. Section 7 contains a glossary of terms and headings used throughout the report and the State ACFR. And, Section 8 contains supplemental information, including subsequent events which occurred after June 30, 2023; certain pension and benefits data; and a copy of the Debt Defeasance and Prevention Fund Report sent to the Joint Budget Oversight Committee earlier this year.

At this point, I will begin a brief review of the numbers representing some of the major totals and subtotals. Please turn to Page 8 of the report.

If you look at the fourth line down of the top table, you can see that the total ACFR reconciled bonded obligation decreased \$2.4 billion in Fiscal Year 2022 to Fiscal Year 2023. Non-bonded obligations decreased \$9.4 billion to \$159.2 billion. The bonded and non-bonded obligations together sum the report total of \$200.7 billion of aggregate bonded and non-bonded obligations as of June 30, 2023. This represents a decrease of \$11.8 billion from June 30, 2022 from \$212.5 billion.

You can see in the percent total column that the total non-bonded obligations account for almost 80% of the State's aggregate outstanding obligations.

If you turn to Page 10, you will see the outstanding general obligation bonds of the State. The State's general obligation bonds decreased \$417 million year over year. The State's total outstanding amount of general obligation bonds from June 30, 2023 was \$4.6 billion. If you look at the next page, you can see the State's Subject to Appropriation Bonds supported by general State revenues. These obligations decreased by \$1.3 billion. The total outstanding amount of these obligations on June 30, 2023, is \$10.4 billion.

If you turn to the next page, you can see the State's Subject to Appropriation Bond supported by dedicated State revenues. These obligations increased by \$191 million year over year. The total outstanding amount of these obligations on June 30, 2023, was \$16.3 billion. Also on this page is the subtotal for the three previous sections.

If you turn to the next page, you can see the ACFR reconciliation, which consists of obligations not supported by State revenues; obligations recorded on the other entity's books; and public bond adjustments. The total ACFR for reconciliation decreased \$525.2 million year over year to \$10.2 billion. The sum of the four previous sections is the aggregate bonded obligations figure of \$41.5 billion -- which, again, was a decrease of \$2.4 billion.

If you turn to the next page, you can see the non-bonded obligations, which totaled \$159.2 billion on June 30, 2023 -- a decrease of \$9.4 billion. If you have the aggregate bonded obligations figure from the

previous page, and the total non-bonded obligations from this page, you arrive at the report total of \$200.7 billion of aggregate bonded and non-bonded obligations as of June 30, 2023 -- a decrease of \$11.8 billion.

In addition to information on the State's outstanding obligations, the statute also requires the report to include debt service costs on those obligations for the prior fiscal year, the current fiscal year, and the subsequent five fiscal years.

If you turn to Page 18, you will see that in Fiscal Year 2023, the State incurred \$4.2 billion in debt service supported by State revenues. In Fiscal Year 2024 and 2025, that figure was projected to decrease to \$4.1 billion; then, it decreased to \$3.9 billion at Fiscal Year 2026; then decreased to \$3.6 billion in Fiscal Year 2027; then decreased \$3.7 billion in Fiscal Year 2028; and then decreased to \$3.1 billion in Fiscal Year 2029.

If you turn to Page 20, you can see the debt service supported by general State revenues. In Fiscal Year 2023, it was \$2.7 billion; in Fiscal Year 2024-2025, that figure was projected to decrease to \$2.5 billion. It decreased to \$2.4 billion in Fiscal Year 2026, then decreased to \$2.1 billion in Fiscal Years 2027 and 2028. Then, decreased to \$1.5 billion in Fiscal Year 2029.

If you turn to the next page, you can see the debt service supported by debt at (indiscernible) State revenues, and Fiscal Year 2023 was \$9.6 billion. That figure was projected to remain in the \$1.6 to \$1.5 billion range from Fiscal Year 2024 through Fiscal Year 2029.

In addition to bonded and non-bonded debt, the statute also requires the report to include the unfunded actuarial accrued liabilities for State-administered retirement systems. The unfunded actuarial accrued

liabilities for post-retirement (indiscernible) and other benefits. Those figures are presented on Pages 67 through 78 of the report.

I will end my presentation there, and I am happy to answer any questions with regard to the report.

MR. LANGSDORF: Jim, I think you may be muted.

MR. RUTALA: I'm sorry; thank you.

Are there any questions?

SENATOR SARLO: Question regarding-- I'm looking at Page 13, this is the ACFR reconciliation -- I'll give everybody a minute -- moral obligations, South Jersey Port Corporations.

I am assuming that was for the construction of the -- financing of the construction of the South Jersey Port to create the foundations for future wind, offshore wind.

Are those bonds -- we call them a moral obligation -- are they backed by the revenues of the State as well?

MR. MOORE: They-- So, the bonds were issued for all the projects at the South Jersey Port Corp., including the wind that you're referring to.

They're not direct obligations of the State. The South Jersey Port Corp. is generally concerning revenues, and it pays some portion of its own debt service. The amount that the Port Corporation can't pay is then back-filled by the State.

SENATOR SARLO: Right. Because, that would be similar to what the EDA -- very similar, a little bit different concept -- but similar to what EDA does with when they work with a private corporation on a project similar to that, not backed by the general revenues of the State.

Is it similar, or am I missing that?

MR. MOORE: It's more-- It's more similar to bonds that are issued for school construction on Transportation Trust Fund Authority, where there's a debt service obligation from a State entity that the State has to appropriate money to fill the obligation. (indiscernible) that the South Jersey Port Corp. does produce a few million dollars in the year to support its own debt.

SENATOR SARLO: Gotcha. And, that's not for profit-- Is that a for-profit entity?

MR. MOORE: I believe it is.

SENATOR SARLO: OK.

MICHAEL B. KANEF: Senator, this is Michael Kanef.

If I could just add one thing?

SENATOR SARLO: Sure.

MR. KANEF: The State does pay the majority of the debt service on those outstanding bonds at this point in time. So, South Jersey Port Corp. does provide some payment, but the majority of that payment is currently made by the State.

SENATOR SARLO: And, the reason for my questioning-- As you know, the construction of the wind farms is, right now, very volatile, what's happening up and down the east coast. We've had some cancellations of projects in New Jersey and most recently in New York.

So, we're all supportive of what we've done with the South Jersey Port Corporation, just-- If the manufacturing there dries up, I was just wondering who potentially is on the hook?

So, I appreciate all the responses.

MR. RUTALA: OK.

Any other questions?

SENATOR SARLO: I am -- if I may -- I am going to refer up to Page 10. These are obligations -- bonded obligations -- obligations supported by general State revenues.

These are the COVID-19 emergency bonds from 2020, outstanding, with still \$3.376. This is the portion that was the non-callable bonds, is that correct?

MR. MOORE: That's correct.

SENATOR SARLO: OK.

Any portion that was callable is since paid off, am I correct in that?

MR. MOORE: None of the bonds were callable, so they (indiscernible) through 2032.

SENATOR SARLO: OK, so, none were callable; OK.

MR. MOORE: Some maturities had been paid in normal course, but they weren't called.

SENATOR SARLO: Right.

So, the balance there -- the balance there is \$3.376.

MR. MOORE: Right, and at the end of this fiscal year, it'll be about \$3 billion.

SENATOR SARLO: Three billion; going down about \$300 million a year.

MR. MOORE: Correct.

MR. RUTALA: Could you explain Section 6? I think it starts on Page 79, the comparison -- the State comparisons, and how that compares to past years?

MR. MOORE: Anthony, do you want to handle that?

MR. LONGO: Yes, is that the debt met-- the immediate debt metrics?

MR. RUTALA: It's the State comparisons, Section six. It starts on Page 79 -- yes, 79.

MR. LONGO: Yes, I mean, it compares similarly to previous years. The State-- the State's debt metrics has been measured by Moody's Investors Service. The State (indiscernible) more heavily indebted states compared to the other states. And, it adds, the metrics have gotten better over the last few years, and the State's debt has decreased but so has the other state's.

MR. RUTALA: Thank you.

Are there any other questions? (no response)

If not, we'll take a motion to approve the debt report.

MR. LANGSDORF: On the matter of accepting the debt report -- I'm sorry, go ahead.

ASSEMBLYMAN SPEARMAN: No, I just said, "So moved."

MR. LANGSDORF: I'm sorry.

On the matter of accepting the debt report for Fiscal Year 2023.

Senator Sarlo.

SENATOR SARLO: Yes.

MR. LANGSDORF: Senator Steinhardt.

SENATOR STEINHARDT: Yes.

MR. LANGSDORF: Assemblyman Spearman.

ASSEMBLYMAN SPEARMAN: Yes.

MR. LANGSDORF: Assemblywoman Muñoz. (no response)

Mr. Aaron Binder.

MR. BINDER: Yes.

MR. LANGSDORF: Mr. David Drescher.

MR. DRESCHER: Yes.

MR. LANGSDORF: Ms. Lisa Almeida.

MS. ALMEIDA: Yes.

MR. LANGSDORF: Ms. Leila Collins.

MS. COLLINS: Yes.

MR. LANGSDORF: Mr. Patrick Brennan. (no response)

Mr. James Rutala.

MR. RUTALA: Yes.

MR. LANGSDORF: Ms. Liz Mahn.

MS. MAHN: Yes.

MR. LANGSDORF: Motion moves.

MR. RUTALA: Thank you.

Is there any other business to come before the Commission today? (no response)

Hearing none, I'll take a motion to adjourn.

SENATOR SARLO: Motion.

UNIDENTIFIED SPEAKER: Motion.

MR. BINDER: Second.

MR. RUTALA: OK, thank you.

Have a wonderful day everyone.

Thank you.

MR. LANGSDORF: Thank you, Chairman.

Thank you, everyone.

(MEETING CONCLUDED)