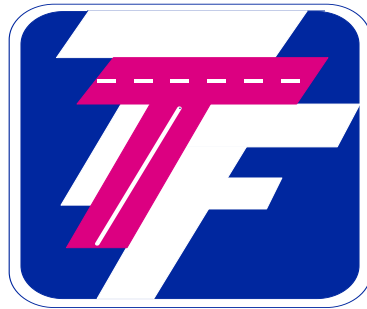


New Jersey Transportation Trust Fund Authority Fiscal Year 2013 Financial Plan

Plan for Financing Anticipated NJDOT/NJT Capital Program Outlays for Fiscal Year 2013



**NEW JERSEY
TRANSPORTATION
TRUST FUND**

*Prepared by
Transportation Trust Fund Authority*

March, 2012

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I. Introduction

The New Jersey Transportation Trust Fund Authority ("NJTTFA", or "Authority") finances 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 the State's Local Aid transportation program. The New Jersey Trust Fund Authority Act, N.J.S.A. 27: 1B-1 et seq. (the "TTFA Act") requires the NJTTFA to adopt a Financial Plan which 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." [N.J.S.A. 27:1B-22d]

Historically, the NJTTFA has funded its programs through annual State appropriations secured by revenues from the Motor Fuels Tax, Petroleum Gross Receipts Tax, Sales and Use Tax (i.e., 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 2011 and the expected results for fiscal year 2012:

Summary of Operations (FY 1985-2012) (Dollar Amount in Thousands)

<u>Description</u>	<u>1985-2011 Actual</u>	<u>2012 Estimated</u>	<u>Thru 2012 Actual & Est.</u>
Authority Sources:			
Revenue Appropriations	\$13,397,395	\$1,035,300	\$14,432,695
NJ Turnpike (New Contract)	0	66,000	66,000
Build America Bond Tax Credits	43,108	38,722	81,830
Interest Earnings	521,108	1,000	522,108
Bond Premiums	169,591	51,942	221,533
<u>Net Bond Proceeds</u>	<u>15,432,860</u>	<u>1,315,000</u>	<u>16,747,860</u>
Total Authority Sources	\$29,564,062	\$2,507,964	\$32,072,026
Authority Uses:			
Program Appropriations	\$23,535,450	\$1,247,000	\$24,782,450
Debt Service (TTF)*	8,170,265	900,900	9,071,165
<u>Authority Expenses</u>	<u>18,849</u>	<u>3,741</u>	<u>\$22,590</u>
Total Authority Uses	\$31,724,564	\$2,151,641	\$33,876,205
Net Balance	-\$2,160,502	\$356,323	-\$1,804,179

*Includes debt service related to TTF swaps

As a measure of the TTFA's total operation, the estimated \$1.8 billion "net balance" calculation for fiscal years 1985 through 2012 in the chart above recognizes that the NJTTFA only issues bonds to meet cash flow obligations, not the full value of capital program appropriations. The "program appropriations" calculation reflects the obligation authority that the Legislature provided to NJDOT/NJ Transit for Transportation Trust Fund ("TTF") 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. This is particularly true of large road and bridge construction projects. The NJTTFA only issues bonds for cash outlays that are anticipated in the current year. As a summary of operations, the net calculation of \$1.8 billion reflects all spending authority (i.e., inception to date) less the total resources that have been provided or generated by the TTFA through June 30, 2012.

III. New Jersey Capital Transportation Plan

In early January, 2011, Governor Christie released a five-year New Jersey Capital Transportation Plan (the "Plan") to improve the State's transportation infrastructure. The Plan maintains annual TTF project authorizations ranging from \$1.224 billion to \$1.247 billion from fiscal year 2012 through fiscal year 2016 (i.e., \$6.2 billion in total). When combined with \$1.8 billion of funding authorization from the Port Authority of New York and New Jersey ("PANYNJ" or "Port Authority") for the Pulaski Skyway, Route 7/Wittpenn Bridge, and New Road/Portway projects in the Port District, the total Plan authorizes \$8 billion of work over the five-year period.

To fully support the TTF projects that are newly-authorized in fiscal year 2013, the planned funding mix includes an estimated \$986 million in NJTTFA bonds, \$261 million in pay-as-you go capital, and \$353 million from the Port Authority.

New Jersey Capital Transportation Plan (\$millions)

<u>Sources:</u>	<u>FY 13</u>
Bonds	\$ 986
<u>Pay-As-You-Go</u>	<u>261</u>
Total TTFA	1,247
<u>Port Authority Projects</u>	<u>353</u>
Total Sources	\$1,600
 <u>Uses:</u>	 <u>FY 13</u>
DOT/NJT Projects	\$1,057
<u>Local Projects</u>	<u>190</u>
Total TTFA	1,247
<u>Port Authority Projects</u>	<u>\$353</u>
Total Uses	\$1,600

As summarized in the chart below, the FY2013 Governor's Budget Message recommends an appropriation to the TTF of \$1,124.4 million, representing an increase of \$89.1 million (9%) over the amount appropriated in FY2012 Appropriations Act (\$1,035.3m). The entire increase is derived from constitutionally-dedicated sources. Of the \$89.1 million, \$78.6 million (88%) is recommended from the State Sales Tax, \$5.5 million (6%) from the Petroleum Products Gross Receipts Tax, and \$5 million (6%) from the Motor Fuels Tax. (See section IV. – B for additional background on the existing constitutional dedications to the TTF.) The existing \$12 million annual statutory contribution from the toll road authorities is recommended to continue at the same level.

In addition, \$261 million of pay-as-you-go revenue will be separately derived from the New Jersey Turnpike Authority ("NJTA"). That figure is \$195 million higher than the amount provided in the Fiscal Year 2012 Appropriations Act (i.e., \$66 million), representing a four-fold increase in the pay-as-you-go portion of the program in one year. Similar to fiscal year 2012, funding from the NJTA will not be reflected in the annual TTF appropriation but rather will be authorized through budget language as a separate, dedicated source of pay-as-you-go.

The Port Authority portion of the Plan will be supported by PANYNJ revenues that will not be deposited into the TTF. In July, 2011, NJDOT signed an agreement with the PANYNJ which formally recognized that the Port Authority's commitment is not to exceed \$1.8 billion, that the associated contracts will be jointly procured and administered, and that NJDOT will be reimbursed on a quarterly basis. The agreement established an interagency governance structure that includes an Executive Steering Committee to provide leadership and oversight as well as a Program Committee that monitors and resolves day-to-day issues. Also included is an auditing and fraud prevention component involving the Office of the Inspector General for both agencies.

FY 13 TTF Appropriation (\$millions)

	<u>FY 12</u> <u>Approp</u>	<u>Increased</u> <u>Approp</u>	<u>FY 13</u> <u>Approp</u>
Motor Fuels Tax	\$ 535.0	\$ 5.0	\$ 540.0
Petroleum Gross Receipts Tax	222.5	5.5	228.0
Sales & Use Tax	265.8	78.6	344.4
<u>Toll Road Authorities</u>	<u>12.0</u>	<u>0.0</u>	<u>12.0</u>
TOTAL TTF APPROP	\$ 1,035.3	\$ 89.1	\$ 1,124.4

As to the programmatic allocation of funds, NJDOT will receive \$820.5 million (including \$353 million from the PANYNJ), Local Aid will continue at \$190 million, and NJ Transit's allotment will total \$589.5 million.

The Fiscal Year 2013 Governor's Budget Message continues to recommend existing budget language items required to implement the Governor's Plan, including authorization of the revenue dedications from the General Fund, appropriation of the contributions from the NJTA and the Port Authority, and establishment of the total project authorization from the TTF.

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2013's \$1.6 Billion Capital Program

The proposed New Jersey Capital Transportation Plan for fiscal year 2013 totals \$1.6 billion, including the Port Authority-funded projects. In addition to cash outlays from that proposed program that will occur in fiscal year 2013, the NJTTFA must fund the cash need associated with previously-authorized projects. In keeping with past practice, the NJTTFA plans to limit debt issuances in fiscal year 2013 to an amount that satisfies the anticipated cash need for previously-authorized and new projects. The NJTTFA expects to issue \$986 million (par value) in new money bonds in fiscal year 2013. The bonds will have maturities up to 31 years.

This report assumes that the full value of the \$986 million in new bonds to be issued in fiscal year 2013 will be secured through a legislative enactment that increases NJTTFA's bond cap. (Note that an estimated \$326 million in unused bond cap is projected to carry forward into fiscal year 2013 from prior fiscal year authorizations.)

The proposed amendments to the NJTTFA statute are expected to specify that debt service coverage is to be provided by constitutionally-dedicated revenues comprised of an amount equivalent to revenue derived from the Motor Fuels Tax (\$.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 of not less than \$200 million for fiscal year 2004 and each fiscal year thereafter. As noted earlier, the Authority also anticipates receipt of \$12.0 million from toll road contributions which are currently dedicated to the NJTTFA by statute. All of these revenues are subject to annual appropriation by the Legislature.

A summary of the NJTTFA's projected cash flows for fiscal year 2013 is provided below:

Fiscal Year 2013: Statement of Anticipated Changes in Cash Position
(\$ whole)

<u>Description</u>	<u>Sub-Total</u>	<u>Total</u>
Estimated July 1, 2012 Cash Balance		\$ 287,451,441
Receipts:		
State Appropriations:		
Motor Fuels Tax	540,000,000	
Petroleum Products Tax	228,000,000	
Sales and Use Tax	344,400,000	
Toll Road Authority Contributions	12,000,000	
Net Total		1,124,400,000
Pay as you Go		260,600,000
Interest Income		1,000,000
Bond Proceeds		986,000,000
<u>Build America Bonds Tax Credit</u>	-	<u>38,722,469</u>
Total Receipts		\$ 2,410,722,469
Disbursements:		
State Transportation Project Costs		\$ 1,256,000,000
TTF Debt Service		1,030,800,000
NJT COPs Debt Service		93,600,000
<u>Authority Operating Expenses</u>		<u>3,741,000</u>
Total Disbursements		\$ 2,384,141,000
Estimated July 1, 2013 Cash Balance		\$ 314,032,910

The estimated \$986 million in new money bonds will be issued as "state contract" debt 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 II, 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.

(Note: 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 NJTTFA debt is currently rated "A+" by Fitch Investors Service, "A1" by Moody's Investors Service, and "A+" 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 Transportation System Bonds have been and continue to be well received by the market.

D. Fiscal Year 2013 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."

A legislative amendment to the TTF statute will be requested to increase the bond cap for the transportation program for fiscal years 2013 through 2016. That cap increase will include the aforementioned \$986 million that would be issued in fiscal year 2013. Also, as noted in Section IV, it is anticipated that unused bond authorization under the 2006 Amendments in the amount of \$326 million will carry forward from prior fiscal years into fiscal year 2013. The future use of those funds is subject to approval by the Joint Budget Oversight Committee.

**Transportation Trust Fund Authority
Statutory Debt Limit
(\$ whole)**

Fiscal Year Bonding Credits:		
FY 1996-2006	\$7,600,000,000	
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	
FY 2012	0	
FY 2013 (proposed)	986,000,000	
Total		\$16,586,000,000
Less Authority Bond Issuances:		
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	1,000,000,000	
2011 Series A	600,000,000	
2011 Series B	1,315,000,000	
2012 Series A (proposed)	986,000,000	
Total		\$16,259,740,715
FY 2013 Unused Debt Limit		\$326,259,285

E. Official Intent for Federal Income Tax Purposes

For the purpose of permitting the proceeds of NJTTFA bonds 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 section IV(A) above, in the expected maximum principal amount of \$986 million, to pay or reimburse expenditures made prior to the date of issuance of such bonds for the costs of the capital program of NJDOT and NJ Transit for fiscal year 2013 and prior fiscal years.

V. Fiscal Year 2013 Operating Budget

The NJTTFA estimates the following operating expenses will be required to manage the financing operations of the NJTTFA during fiscal year 2013 assuming that there will be one bond sale. The operating budget, which does not include costs of issuance relating to bond issuances, is funded from the Legislative appropriations to the NJTTFA:

Anticipated Operating Expenses (\$ whole)

<u>Description</u>	<u>Estimate</u>
Legal Notices	\$1,000
Professional Accounting Services	30,000
Trustee Service Fees	60,000
Letter of Credit Fees	3,600,000
Contingency	50,000
Total	\$3,741,000

Fiscal Year 2013 Anticipated Bond Issuance Costs

The Authority plans to issue new money bonds to support fiscal year 2013 project expenditures. At the \$986 million bonding level, the anticipated bond issuance costs for the 2013 Series A new money bonds is estimated to be \$6.3 million for underwriting expenses, up to \$5.2 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.