



NJ TRANSPORTATION TRUST FUND AUTHORITY

Jon S. Corzine, *Governor*

Members:

Stephen Dilts, Chairman
Joseph Ripa, Vice Chairman
The Honorable R. David Rousseau
Robert A. Briant, Jr.
Thomas J. Canto

March 6, 2009

James A. Carey, Jr., Esq.
Director, Governor's Authorities Unit
PO Box 001
State of New Jersey, Office of the Governor
Trenton, New Jersey 08625-0001

Dear Mr. Carey:

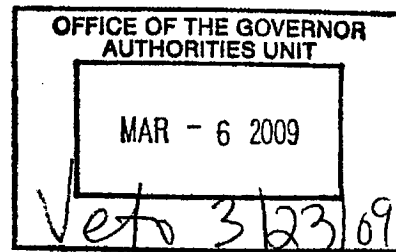
Pursuant to Section 4(g) of the New Jersey Transportation Trust Fund Authority Act, I herein transmit to you for the Governor's approval the minutes of the February 10, 2009 meeting of the New Jersey Transportation Trust Fund Authority.

Sincerely,

Patricia M. Dyer
Secretary

Enclosure

C: Sonia Frontera, Esq.



NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority ("Authority") held at the Office of the Commissioner in the Administration Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on February 10, 2009 at 2:00 PM (EDT).

The following Authority members were present:

- Stephen Dilts, Commissioner, New Jersey Department of Transportation (NJDOT); Chairman, New Jersey Transportation Trust Fund Authority (NJ TTFA)
- Steven Petrecca, Manager, Office of Management and Budget – (*Designee for the Honorable R. David Rousseau, New Jersey State Treasurer*)
- Joseph Ripa, Freeholder – Camden County; NJ TTFA Vice Chairman
- Robert A. Briant, Jr., Public Member
- Thomas J. Canto, Public Member

Constituting a quorum of the Members of the Authority.

There were also present:

- Steven B. Hanson, NJ TTFA Executive Director; CFO, NJDOT
- Patricia M. Dyer, Secretary of the Authority
- Linda M. Davino, Assistant Secretary of the Authority
- Aimee Manocchio Nason, Deputy Attorney General, NJDOL
- Nancy B. Feldman, Director, Office of Public Finance
- Judith A. Sigle, Director, Division of Accounting and Auditing, NJDOT
- Michael J. MacFeeters, Division of Accounting and Auditing, NJDOT
- Ivette Santiago-Green, Esq., NJ TTFA Ethics Liaison Officer
- Sonia Frontera, Esq., Governor's Authorities Unit
- Michelle Saupe, CFO's Office, NJDOT
- Mina Tsintzas, Division of Accounting and Auditing, NJDOT
- Jim Vari, Budget Analyst, Office of Management and Budget
- Joseph A. Hroncich, Associate Fiscal Analyst; Authorities, Utilities, Transportation and Communications Section; Office of Legislative Services
- Don Margeson, Section Chief; Authorities, Utilities, Transportation, and Communications Section; Office of Legislative Services
- Dunstant McNichol, Reporter, The Star Ledger

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Commissioner / Chairman Dilts presided at the meeting and Patricia M. Dyer, Secretary, kept the minutes.

Commissioner / Chairman Dilts convened the meeting at 2:08 PM. He stated that this was his first meeting as Chairman of the NJ Transportation Trust Fund Authority. Chairman Dilts then said that it was an honor to serve and that he is appreciative of the Governor's trust in him and the commitment of his fellow board members in overseeing the Trust Fund. He expressed the importance of the Authority relative to its funds and what that fund does for the State of New Jersey. It is a fund that is integral to getting the State out of its current economic position. States that are cutting back on their transportation spending are jealous. This is a fund that is working for New Jersey's public.

He then stated the following:

"I wish to announce that adequate notice of today's meeting of the New Jersey Transportation Trust Fund Authority has been provided in accordance with the Open Public Meetings Act. Notice was filed with the Secretary of State. This notice was also mailed to five (5) newspapers of general distribution (Atlantic City Press, Camden Courier Post, Star Ledger, The Trentonian, and Trenton Times); posted on the Authority's website, and posted in the main entrance of the New Jersey Department of Transportation's Headquarters."

Executive Director Steven Hanson called the roll. The following acknowledged their presence: Steve Dilts, Steve Petrecca, Robert Briant, Joe Ripa, and Tom Canto.

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After acknowledging that a quorum was present, Commissioner / Chairman Dilts called the first order of business, by requesting a motion to approve the minutes (Meeting Minutes - Agenda Item C) of the Authorities October 28, 2008 meeting.

Public Member Robert A. Briant, Jr. moved the following resolution approving the minutes of the Authorities October 28, 2008 meeting.

WHEREAS, Article II, Section 8 of the Bylaws of the New Jersey Transportation Trust Fund Authority provides that the minutes of actions taken at meetings of the Authority be approved by the Authority.

NOW, THEREFORE, BE IT RESOLVED, that the minutes taken at the meeting of February 10, 2009 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The motion was seconded by Vice Chairman Joseph Ripa and the members were polled. Vice Chairman Ripa, Robert Briant, and Steven Petrecca voted in the affirmative. Chairman Dilts and Thomas Canto voted to abstain on the basis they had not attended the last meeting. Executive Director Hanson advised Chairman Dilts that the measure did not pass since four affirmative votes were required for any motion to pass. After some discussion, DAG Aimee Manocchio Nason suggested that the Authority should table the motion until the next meeting. She also indicated that she would solicit guidance from the Division of Law as to whether an ex-officio member can vote to approve the minutes for a meeting not attended by conferring as necessary with others who did attend the meeting such as Commissioner Kolluri, Executive Director Hanson, or other board members.

At the next order of business, Commissioner / Chairman Dilts stated that a vacancy had occurred in the office of TTFA Secretary, and a new TTFA Board Secretary needed to be elected.

Commissioner / Chairman Dilts requested the nomination of a Secretary and recommended that Michelle Saupe be nominated to serve as Secretary of the Authority for the remainder of Fiscal Year 2009.

Mr. Briant moved the following resolution electing Michelle Saupe be Secretary of the Authority for the remainder of Fiscal Year 2009.

WHEREAS, the By-Laws of the Authority provide for the annual election by the Authority of a Secretary and such other officers as it shall deem necessary; and

WHEREAS, a vacancy has occurred in the office of the Secretary of the Authority; and

WHEREAS, the Authority desires to fill the office of Secretary;

NOW, THEREFORE, BE IT RESOLVED that the Authority elects Michelle Saupe to serve in the capacity of Secretary of the Authority for the remainder of Fiscal Year 2009.

Vice Chairman Joseph Ripa and Public Member Thomas J. Canto simultaneously seconded the above motion, the members were polled with all members being in favor, and no members were in opposition; therefore, the motion was carried.

The next item addressed for business was the "Acceptance of the Audit Report for Fiscal Year 2008 (Agenda Package, Item E)," prepared by Mercadien, P.C., the Authority's auditor. Commissioner / Chairman Steve Dilts asked Executive Director Steve Hanson to briefly discuss the audit results.

Executive Director Hanson stated that that there were a couple items for discussion. The Authority has an Audit Committee which is in compliance with Executive Order No. 122 and Stephen Dilts, Steven Petrecca, and Robert A. Briant, Jr. served on that committee. The committee received the Auditor's report on December 10, 2008. The Authority received a

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favorable recommendation from the Chair of the Audit Committee with that Committee's acceptance of the audit. He credited Michael J. MacFeeters and the Accounting group for keeping up the books. Executive Director Hanson also stated that the annual audit's balance sheet is not always very useful for portraying the Authority's financial position because the Authority's only function is to issue bonds. For example, when looking at the balance sheet for Fiscal Year 2008, there is a year-end fund balance/net assets of negative \$ 200.0 million and the year before it was negative \$ 300.0 million. The balance sheet is a snapshot of the Authority's financial condition as of June 30th of that year. As of that date, the Authority's cash position from bond proceeds and appropriation revenues was less than the Authority's accrued liabilities, including invoices received. As an example, NJ Transit calculates its accounts payable from the Authority based upon any work completed in the field as of June 30 even though the vendor may not have submitted an invoice to NJ TRANSIT yet. For accounting purposes, this work is correctly considered to be an expenditure (or an accounts payable item). On the other hand, the Authority generally does not bond in May or June so its cash balance from bond proceeds is relatively low at that point compared to the accounts payable calculation that is done for financial statement purposes. The Authority is not allowed to treat its bonding cap authority from the Legislature as an asset for balance sheet purposes. So the balance sheet merely shows the amount of cash left from the most recent bond sale. There is no need to be concerned about that number because it simply indicates the Authority's cash or liabilities as of June 30th.

Commissioner / Chairman Dilts then asked for a motion of the following resolution in acceptance of the Audit Report for Fiscal Year 2008.

WHEREAS, pursuant to Section 17 of the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the "Act"), N.J.S.A. 27:1B-1 et seq., the New Jersey Transportation Trust Fund Authority (the "Authority") is required to conduct an annual audit of its affairs and deliver a written report with respect to such audit to the Legislature and the Governor; and

WHEREAS, the Authority requires the services of a professional accounting firm with respect to the preparation of such audit; and

WHEREAS, the Authority selected the firm of Mercadien, P.C. ("Mercadien") to perform the audit of the Authority for Fiscal Year 2008; and

WHEREAS, Mercadien has prepared the audit for Fiscal Year 2008, a copy of which is attached to this Resolution as Exhibit A;

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby accepts the audit report of Mercadien attached hereto as Exhibit A.
2. This Resolution shall take effect upon adoption in accordance with the Act.

A motion was made by Public Member Robert A. Briant, Jr.; followed by a second from Vice Chairman Joseph Ripa. The members were polled with all members being in favor and no members were in opposition; therefore, the motion was carried.

**NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY**
(A Component Unit of the State of New Jersey)

Financial Statements and
Supplementary Information

June 30, 2008

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Members of
New Jersey Transportation Trust Fund Authority
A Component Unit of the State of New Jersey

We have audited the accompanying financial statements of the governmental activities, each fund, and the aggregate remaining fund information of New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each fund, of the New Jersey Transportation Trust Fund Authority as of June 30, 2008, and the changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

PENNSYLVANIA OFFICE:
86 BUCK ROAD
HOLLAND, PA 18966
TEL 215-355-4860
FAX 215-825-8110

- CPA USA NETWORK
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- PRIVATE COMPANIES PRACTICE SECTION
- CENTER FOR PUBLIC COMPANY AUDIT FIRMS
- REGISTERED WITH THE PCAOB
- AN INDEPENDENTLY OWNED MEMBER OF THE
RSM MCGILDRAY NETWORK

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The management's discussion and analysis on pages 5 to 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Jersey Transportation Trust Fund Authority's basic financial statements. The schedule of cash receipts and disbursements on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash receipts and disbursements has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Mancini, PC
Certified Public Accountants

December 5, 2008

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Chairperson and Members of
New Jersey Transportation Trust Fund Authority
A Component Unit of the State of New Jersey

We have audited the accompanying financial statements of the New Jersey Transportation Trust Fund Authority's (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

PENNSYLVANIA OFFICE:

86 Buck Road
HOLLAND, PA 18966
TEL 215-355-4860
FAX 215-825-8110

- CPA USA NETWORK
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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS* (CONTINUED)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Authority members, the finance committee, management, others within the Authority, and the State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

Mercaderes, PC
Certified Public Accountants
December 5, 2008

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As financial management of the New Jersey Transportation Trust Fund Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the year ended June 30, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The Authority disbursed \$1,429,280,164 to the Special Transportation Fund of the State of New Jersey to fund statewide transportation system improvements during the fiscal year. This was a decrease of 0.84% from the prior year. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2008, the Authority had a net deficit of \$248,538,350, as compared to net deficit of \$306,895,970 at June 30, 2007. This decrease in net assets was caused by the increased bond funding of statewide transportation system improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. The Authority is a single program government that combines government-wide and governmental fund financial statements. This report also contains required supplementary information concerning the Authority's cash flow for the fiscal year.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to that which would be used by a private-sector business.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

The statement of revenues, expenses and changes in fund net deficit presents information showing how a government's net deficit changed during the fiscal year. All changes in net deficit are reported as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's flow of cash for the fiscal year.

Financial Analysis

Net assets (deficit) may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, liabilities exceeded assets by \$248,538,350 at the close of the most recent fiscal year.

The largest portion of the Authority's net asset deficit reflects its investments in current assets (e.g., *accounts receivable, cash and cash equivalents and investments*) less any related bonds outstanding and accounts payable. The Authority's current assets are restricted in use for payment primarily for state transportation costs and bond issues outstanding.

	June 30, 2008	June 30, 2007	June 30, 2006	Percentage Change 2008-2007
Accounts receivable	\$ 9,193,076,405	\$ 8,201,081,391	\$ 8,369,224,364	12
Cash and equivalents	293,822,721	222,818,362	1,273,660,250	32
Investments	88,805	131,252	41,240,212	(32)
Deferred loss on refunding on bonds	8,223,541	6,480,980	4,738,419	27
Unamortized bond issuance cost	108,234,243	97,153,507	103,302,005	11
Total Assets	9,603,445,715	8,527,665,492	9,792,165,250	13
Accrued interest payable	16,762,799	15,001,357	15,705,978	12
Accounts payable - State of New Jersey	246,982,044	216,701,880	215,382,817	14
Accounts payable - bond issuances	-	-	462,081	-
Bonds payable:				
Due within one year	266,705,000	238,725,000	225,925,000	12
Due after one year	8,892,871,405	7,928,856,391	8,110,799,364	12
Unamortized bond premium	428,662,817	435,276,834	470,569,658	(2)
Total Liabilities	9,851,984,065	8,834,561,462	9,038,844,898	12
Net Assets (Deficit) Restricted for:				
Debt Services	316,314	1,450,559	42,553,149	(78)
Deferred Charge	(328,967,832)	(346,643,704)	(378,235,212)	(5)
Payment of state transportation system cost	80,113,168	38,297,175	1,089,002,415	109
Net Assets (Deficit)	\$ (248,538,350)	\$ (306,895,970)	\$ 753,320,352	(19)

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>Years Ended</u>			<u>Percentage Change 2008-2007</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	
Revenues				
State appropriations				
Motor fuel taxes	\$ 483,000,000	\$ 483,000,000	\$ 405,000,000	-
Commercial vehicle fees and taxes	400,000,000	400,000,000	400,000,000	-
Toll road authority	12,000,000	12,000,000	-	-
Interest income and investment return	24,348,352	42,071,243	24,690,777	(42)
Amortization of bond premium	<u>33,044,665</u>	<u>35,292,689</u>	<u>40,200,513</u>	(6)
Total Revenues	<u>952,393,017</u>	<u>972,363,932</u>	<u>869,891,290</u>	(2)
Expenses				
Operating expenses and financial costs	968,485	965,106	1,332,695	-
State transportation costs	1,429,280,164	1,441,319,063	1,369,418,186	(1)
Debt Service	-	-	-	-
Bond interest expense, including amortization of bond issuance costs	410,978,498	378,940,934	353,386,799	8
Bond interest expense, capital appreciation bonds	<u>59,665,032</u>	<u>56,782,027</u>	<u>4,472,572</u>	5
Total Operating Expenses	<u>1,900,892,179</u>	<u>1,878,007,130</u>	<u>1,728,610,252</u>	1
Deficiencies of revenues over expenses	(948,499,162)	(905,643,198)	(858,718,962)	5
Other financing sources:				
Garvee bond debt service reimbursement	<u>6,171,750</u>	<u>6,449,849</u>	-	(4)
Total other financing sources	<u>6,171,750</u>	<u>6,449,849</u>	-	(4)
Change in Net Deficit	<u>(942,327,412)</u>	<u>(899,193,349)</u>	<u>(858,718,962)</u>	5
Net Assets (Deficit), Beginning of Year	(306,895,970)	753,320,352	(403,760,050)	(141)
Current year bond activity, net	<u>1,000,685,032</u>	<u>(161,022,973)</u>	<u>2,015,799,364</u>	721
Net Assets (Deficit), End of Year	<u>\$ (248,538,350)</u>	<u>\$ (306,895,970)</u>	<u>\$ 753,320,352</u>	(19)

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Significant and Subsequent Events

As of June 30, 2008, the Authority had \$9,159,576,405 in bonds outstanding, as compared to \$8,167,581,391 in the prior fiscal year - an increase of 12.15%. There was new debt incurred by the Authority in the amount of \$1,171,055,000 during fiscal year 2008. A total of \$238,725,000 in bond principal was retired by the annual debt service payments during the fiscal year.

The Authority remarketed the 2003 Series B (Periodic Auction Reset Securities) bond. The Remarketed Bonds were converted pursuant to the terms of the Resolution to bear interest in the Fixed Rate mode. Principal repayments begin December 15, 2016, and end December 15, 2019. Interest payments begin December 15, 2008.

The following information summarizes the changes in debt between the fiscal year 2008, 2007 and 2006

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	Percentage Change <u>2008-2007</u>
Bonds Payable	<u>\$9,159,576,405</u>	<u>\$8,167,581,391</u>	<u>\$8,336,724,364</u>	<u>12</u>

More detailed information about the Authority's bonds payable is presented in Note D of the financial statements.

Contacting the Authority's Financial Management

This financial report is designed to provide the New Jersey citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to the State of New Jersey and bondholders. If you have questions about this report or need additional financial information, you can contact the New Jersey Transportation Trust Fund Authority at 1035 Parkway Avenue, P.O. Box 600, Trenton, NJ 08625-0600 or visit its website at www.state.nj.us/ttfa.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2008

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note H)	Statement of Net Assets
ASSETS					
Account receivable - State of New Jersey	\$ 33,500,000	\$ -	\$ 33,500,000	\$ 9,159,576,405	\$ 9,193,076,405
Cash and equivalents	293,595,212	227,509	293,822,721	-	293,822,721
Investments	-	88,805	88,805	-	88,805
Deferred loss on refunding of bonds	-	-	-	8,223,541	8,223,541
Unamortized bond issuance costs	-	-	-	108,234,243	108,234,243
Total Assets	<u>\$ 327,095,212</u>	<u>\$ 316,314</u>	<u>\$ 327,411,526</u>	<u>\$ 9,276,034,189</u>	<u>\$ 9,603,445,715</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 16,762,799	\$ 16,762,799
Accounts payable - State of New Jersey	246,982,044	-	246,982,044	-	246,982,044
Transportation system bonds payable:					
Due within one year	-	-	-	-	-
Due after one year	-	-	-	266,705,000	266,705,000
Unamortized bond premium	-	-	-	8,892,871,405	8,892,871,405
Total Liabilities	<u>246,982,044</u>	<u>-</u>	<u>246,982,044</u>	<u>9,605,002,021</u>	<u>9,851,984,065</u>
FUND BALANCES/NET ASSETS (DEFICIT)					
Restricted for:					
Debt Service	-	316,314	316,314	-	316,314
Deferred Charges	-	-	-	(328,967,832)	(328,967,832)
Payment of state transportation systems cost	80,113,168	-	80,113,168	-	80,113,168
Total Fund Balances/Net Assets (Deficit)	<u>80,113,168</u>	<u>316,314</u>	<u>80,429,482</u>	<u>(328,967,832)</u>	<u>(248,538,350)</u>
Total Liabilities and Fund Balances/Net Assets (Deficit)	<u>\$ 327,095,212</u>	<u>\$ 316,314</u>	<u>\$ 327,411,526</u>	<u>\$ 9,276,034,189</u>	<u>\$ 9,603,445,715</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

Year Ended June 30, 2008

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note H)	Statement of Activities
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 483,000,000	\$ -	\$ 483,000,000	\$ -	\$ 483,000,000
Commercial vehicle fees and taxes	400,000,000	-	400,000,000	-	400,000,000
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Interest income and investment return	24,309,589	38,763	24,348,352	-	24,348,352
Amortization of bond premium	-	-	-	33,044,665	33,044,665
Total revenues	<u>919,309,589</u>	<u>38,763</u>	<u>919,348,352</u>	<u>33,044,665</u>	<u>952,393,017</u>
EXPENDITURES					
Operating expenses and financial costs	73,304	895,181	968,485	-	968,485
State transportation costs	1,429,280,164	-	1,429,280,164	-	1,429,280,164
Debt Service					
Principal	-	238,725,000	238,725,000	(238,725,000)	-
Bond interest expense, including amortization of bond issuance costs	-	404,631,943	404,631,943	6,346,555	410,978,498
Bond interest expense, capital appreciation bonds	-	-	-	59,665,032	59,665,032
Total expenditures	<u>1,429,353,468</u>	<u>644,252,124</u>	<u>2,073,605,592</u>	<u>(172,713,413)</u>	<u>1,900,892,179</u>
Deficiency of revenues over expenses	<u>(510,043,879)</u>	<u>(644,213,361)</u>	<u>(1,154,257,240)</u>	<u>205,758,078</u>	<u>(948,499,162)</u>
OTHER FINANCING SOURCES (USES):					
Bonds issued	1,171,055,000	-	1,171,055,000	(1,171,055,000)	-
Bond premium	26,430,647	-	26,430,647	(26,430,647)	-
Grantee bond debt service reimbursement	-	14,861,750	14,861,750	(8,650,000)	6,171,750
Transfers - internal activities	(629,336,700)	629,336,700	-	-	-
Cost of issuance	(17,408,409)	-	(17,408,409)	17,408,409	-
Total other financing (uses) sources	<u>550,740,538</u>	<u>644,198,450</u>	<u>1,194,938,988</u>	<u>(1,188,767,238)</u>	<u>6,171,750</u>
Change in fund balance/net assets	40,696,659	(14,911)	40,681,748	(983,009,160)	(942,327,412)
Fund balance/net deficit					
Beginning of year	39,416,509	331,225	39,747,734	(346,643,704)	(306,895,970)
Current year bond activity, net	-	-	-	1,000,685,032	1,000,685,032
End of year	<u>\$ 80,113,168</u>	<u>\$ 316,314</u>	<u>\$ 80,429,482</u>	<u>\$ (328,967,832)</u>	<u>\$ (248,538,350)</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

New Jersey Transportation Trust Fund Authority (the "Authority"), located in Ewing, New Jersey, was created by the State of New Jersey (the "State") in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act in order to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation. The Authority also finances State aid to counties and municipalities for transportation system improvements.

Basis of Accounting

The Authority is a component unit of the State and is included in the general purpose financial statements of the State.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The basic financial statements consist of government-wide and governmental fund financial statements.

The Authority, as a single program government, combines government-wide and governmental fund financial statements, which are linked together by the reconciliation.

The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred. The primary sources of revenues are appropriations received from the State from motor fuel taxes, good drivers' surcharges and commercial vehicle fees and taxes.

The governmental fund financial statements are prepared under current financial resources measurement focus and on the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recognized when the related liability is incurred. The exception to this rule is that principal and interest on long-term debt are recognized when due.

Financial Instruments

The Authority follows GASB: TB 2003-1, which established disclosure requirements for certain derivatives. This includes disclosing the fair value of financial instruments in the notes to financial statements. See Note D regarding 2003 Series B.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America for governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounts

In accordance with the 1995 Bond Resolution, the Authority has established the following fund accounts maintained by the Authority:

<u>Fund Accounts</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Special Revenue Fund Transportation Improvement	Deposit of all revenues received by the Authority. Also used to account for the accumulation of resources for payment of state transportation costs.	Expenditures for specific purposes.
Debt Service Fund (DSF)	Amounts needed to pay matured principal and interest on bonds.	Interest and principal on bonds.

The Authority reserve, which accounts for the Authority's operating expenses, is included in the special revenue fund.

Income Taxes

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

Bond Issuance Costs

In the government-wide financial statements, bond issuance costs are reported as deferred charges (assets) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond issuance costs are expensed when incurred.

Bond Premium

In the government-wide financial statements, bond premiums are reported as deferred revenues (liabilities) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums are recognized as revenue when received.

Restricted Net Assets

In accordance with the terms of the various bond resolutions, cash and equivalents and investments of all funds required under such bond resolutions are classified as restricted assets. The amounts by which the restricted assets exceed the corresponding liabilities they will liquidate are not available for the payment of current operating expenses.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The following is a summary of receivables due from the State primarily to fund future bonds payable.

Due within one year	\$ 300,205,000
Due after one year	<u>8,892,871,405</u>
	<u><u>\$9,193,076,405</u></u>

B. CASH AND EQUIVALENTS

Cash and equivalents consist primarily of State of New Jersey cash management fund deposits. New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund ("NJCMF") or in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agencies of the United States that insure deposits.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5% of the average daily balance of public funds;
or
- (b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its cash and investments that are in the possession of an outside party. Cash and equivalents and investments are substantially restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

The bank balances and amounts deposited in these accounts at June 30, 2008, were as follows:

NJCMF	\$ 293,822,722
Commerce Bank	<u>88,805</u>
Total	<u><u>\$ 293,911,527</u></u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

Custodial Credit Risk

As of June 30, 2008, the Authority had the following investments and maturities:

	Fair Value	Investment Maturity (In Years)			
		Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 88,805	\$ 88,805	\$ -	\$ -	\$ -

Since the Authority's cash and equivalents and investments are all government securities, or an external investment pool, they are not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Because the Authority maintains investments in US Treasury Notes, it is subject to interest rate risk if interest rates fluctuate.

C. ACCOUNTS PAYABLE - STATE OF NEW JERSEY

The balance due of \$246,982,044 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of New Jersey Transit transportation costs.

D. TRANSPORTATION SYSTEM BONDS PAYABLE

Bond resolutions have been adopted by the Authority for the purpose of making improvements to the transportation system in the State of New Jersey. The following is a summary of revenue bonds outstanding:

Series	Interest Rate Range	Bonds Outstanding (in Millions) June 30, 2007	Additions (in Millions)	Reductions (in Millions)	Bonds Outstanding (in Millions) June 30, 2008	Amounts Due within One Year (in Millions)
1995 Series B	4.50%-7.00%	\$ 93,960	\$ -	\$ -	\$ 93,960	\$ -
1998 Series A	4.25%-5.25%	102,830	-	-	102,830	-
1999 Series A	4.50%-5.75%	267,630	-	18,435	249,195	18,450
2001 Series A	4.00%-5.50%	9,625	-	8,055	1,570	-
2001 Series C	2.50%-6.00%	967,365	-	85,275	882,090	145,115
2003 Series A	4.00%-5.50%	316,310	-	4,155	312,155	4,325
2003 Series B	3.50%-5.25%	345,000	-	-	345,000	-
2003 Series C	2.25%-5.50%	15,710	-	-	15,710	-
2004 Series A	3.25%-5.75%	107,495	-	-	107,495	-
2004 Series B	2.50%-5.50%	825,535	-	25,470	800,065	9,505
2005 Series A	5.00%-5.25%	507,865	-	61,945	445,920	65,210
2005 Series B	3.70%-5.50%	1,213,140	-	26,700	1,186,440	-
2005 Series C	3.25%-5.25%	48,480	-	-	48,480	-
2005 Series D	4.00%-5.00%	465,910	-	-	465,910	-
2006 Series A	4.25%-5.50%	1,580,540	-	-	1,580,540	-
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2006 A Garvec	5.00%	123,435	-	8,690	114,745	9,125
2007 Series A	3.60%-5.00%	-	1,171,055	-	1,171,055	14,975
		10,699,415	1,171,055	238,725	11,631,745	266,705
Less unamortized bond accretion		(2,531,834)	59,666	-	(2,472,168)	-
Total		\$ 8,167,581	\$ 1,230,721	\$ 238,725	\$ 9,159,577	\$ 266,705

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

Total maturities of transportation system bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 266,705,000	\$ 398,585,156	\$ 665,290,156
2010	281,170,000	386,179,720	667,349,720
2011	315,215,000	371,215,105	686,430,105
2012	332,855,000	354,548,960	687,403,960
2013	352,930,000	335,963,606	688,893,606
2014-2018	2,137,245,000	1,375,203,035	3,512,448,035
2019-2023	3,030,140,000	744,920,650	3,775,060,650
2024-2028	1,670,940,000	202,029,344	1,872,969,344
2029-2033	1,726,455,000	125,308,750	1,851,763,750
2034-2038	<u>1,518,090,000</u>	<u>270,802,213</u>	<u>1,788,892,213</u>
Total	11,631,745,000	<u>\$ 4,564,756,539</u>	<u>\$16,196,501,539</u>
Less unamortized bond accretion	<u>2,472,168,595</u>		
Total Bonds Payable	<u>\$ 9,159,576,405</u>		

The bonds are secured primarily by revenues received by the Authority from the State. The payment of all such revenues to the Authority is subject to and dependent upon appropriations being made from time to time by the State Legislature. The State Legislature has no legal obligation to make such appropriations.

2003 Series B

The Authority remarketed the 2003 Series B (Periodic Auction Reset Securities) bonds in September 2008. The Remarketed Bonds were converted pursuant to the terms of the Resolution to bear interest in the Fixed Rate mode. Principal repayments begin December 15, 2016, and end December 15, 2019. Interest payments begin December 15, 2008.

INTEREST RATE SWAP AGREEMENTS

In connection with the initial issuance of the Remarketed Bonds, the Authority entered into five swap agreements (the "Existing Swap Agreements") with Goldman Sachs Mitsui Marine Derivative Products L.P. (the "Existing Counterparty") for the purpose of converting the Authority's variable rate exposure on the Remarketed Bonds to a fixed rate. The outstanding aggregate principal amount of the Remarketed Bonds is equal to the aggregate notional amount of these related Existing Swap Agreements. Under the terms of the Existing Swap Agreements, the Authority pays a fixed rate to the Existing Counterparty between 3.537% and 3.675% and receives a variable rate equal to 67% of either one-month or one-

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2003 Series B (Continued)

week LIBOR, in each case depending on the Existing Swap Agreement. These Existing Swap Agreements terminate upon the final maturity of the Remarketed Bonds; provided that the Authority may terminate and cancel any or all of the Existing Swap Agreements with no payment due from the Authority at any time on or after December 15, 2011. It is expected that the Existing Swap Agreements will not be terminated as a result of the conversion of the Remarketed Bonds to the Fixed Rate Mode. In connection with the conversion and remarketing of the Remarketed Bonds, the Existing Swap Agreements may be amended in a manner which could result in the Authority paying fixed rates in excess of the rates stated above.

In the event that an Existing Swap Agreement terminates prior to its stated termination date (other than a termination and cancellation by the Authority on or after December 15, 2011), either the Authority or the Existing Counterparty will be required to make a termination payment to the other party. The party required to make such payment and the amount thereof will be determined by market conditions at the time of such early termination.

The Authority's obligations to make regularly scheduled payments under each Existing Swap Agreement are payable from moneys in the Debt Service Fund established under the Resolution on a parity with the Remarketed Bonds and all other Bonds issued or to be issued under the Resolution. In the event that an Existing Swap Agreement terminates prior to its stated termination date (other than a termination and cancellation by the Authority on or after December 15, 2011), any termination payments required to be made by the Authority pursuant to such Existing Swap Agreement shall be payable from the Subordinated Debt Fund established under the Resolution, subject and subordinate to the payment of Bond Payment Obligations, including payment of the Remarketed Bonds, pursuant to the Resolution.

2006 A Garvee Bond

The debt service and interest expense payments on the 2007 A Garvee bond are reimbursed by the Federal Highway Administration, through the New Jersey Department of Transportation. These amounts are included in the principal and bond interest expense. The principal payment and interest payments reimbursed as of June 30, 2008, were \$8,690,000 and \$6,171,750, respectively.

2006 Series A and B Refunding Bonds

In June 2007, the Authority issued \$1,580,540,000 of 2007 Series A Bonds and \$109,375,000 of 2006 Series B Bonds. The proceeds were used to refund \$1,791,455,000 of previously issued bonds and for the costs of issuance of the 2007 Series A Bonds.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2006 Series A and B Refunding Bonds (Continued)

As a result of the advance refundings during the year ended June 30, 2007, the Authority recorded a loss on defeasance totaling \$36,560,994 representing the difference between the new debt issued and the carrying amount of the debt refunded. The loss on defeasance is being deferred and amortized over the life of the new debt. For financial statement purposes, the Authority follows Governmental Accounting Standards Board Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." The unamortized deferred loss on refundings of bonds amounted to \$8,223,541 at June 30, 2008. Amortization of \$1,742,561 is included in amortization of cost of issuance and deferred loss on refunding at June 30, 2008. The present value of the debt service savings resulted in an economic gain from the advanced refundings in 2007 in the amount of \$31,743,405.

E. ADVANCE REFUNDINGS

When conditions warranted during prior years, the Authority sold various issues of bonds to provide for the refunding of previously issued obligations in order to achieve interest cost savings.

The proceeds received from the sales of the bond issues were used to currently refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by the escrow agent an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the first optional redemption date thereof and the premium required to redeem the bonds outstanding on such date. Accordingly, the Authority's assets and the liabilities for defeased bonds are not included in the Authority's financial statements. These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

E. ADVANCE REFUNDINGS (CONTINUED)

Refunded bonds outstanding at June 30, 2008, are comprised of the following:

<u>Issue</u>	<u>Principal Amount Outstanding June 30, 2008</u>
1995 Series B	\$ 56,465,000
1998 Series A	356,440,000
1999 Series A	71,390,000
2000 Series A	310,475,000
2001 Series A	161,480,000
2001 Series C	100,500,000
2003 Series C	842,035,000
2004 Series A	332,560,000
2005 Series C	449,430,000
2005 Series D	487,110,000
	<u>\$ 3,167,885,000</u>

F. FINANCIAL INSTRUMENTS

In connection with the interest rate swaps disclosed in note D, no amounts are recorded in the financial statements other than the net interest expense resulting from the agreements. As of June 30, 2008, the swaps had a total net present value of \$(2,419,050). A negative net present value denotes that the Authority owes the swap provider.

G. CONCENTRATION OF RISK AND UNCERTAINTIES

Cash and Equivalents

The Authority maintains cash and short-term investment balances which may exceed federally insured limits. It historically has not experienced any credit-related losses.

Financial Instruments

As disclosed in Notes D and F, the Authority's 2003 Series B bond issue utilized financial instruments. These agreements are structured to enable variable rate bond proceeds to meet specific needs by reducing the risk associated with changes in interest rates.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

**H. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE
GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS**

- (1) Unamortized bond issuance cost is recorded as deferred charges (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond issuance costs are expensed when incurred. Balances as of June 30, 2008, were:

Bond issuance costs	\$ 125,971,045
Accumulated amortization	(17,736,802)
Total unamortized bond issuance cost	<u>\$ 108,234,243</u>
Amortization expense	<u>\$ 6,327,673</u>

- (2) Long-term liabilities (bonds payable and accrued interest payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2008, were:

Bonds payable	\$ 8,167,581,373
Add issuance of bonds	1,171,055,000
Less principal payments	(238,725,000)
Add accretion	59,665,032
Total	<u>\$ 9,159,576,405</u>
Accrued interest payable	<u>\$ 16,762,799</u>

- (3) Bond proceeds contribute to the change in fund balance in governmental funds. In the government-wide statements, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statements of activities.

Proceeds were received from:

2007 Series A Bond	<u>\$ 1,171,055,000</u>
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- (3) Repayment of bond principal is reported as an expenditure in governmental funds and thus reduces the fund balance. For the Authority as a whole, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Principal payments, including amounts required for refunding bond issues, were made as follows:

Scheduled principal payments	<u>\$ 238,725,000</u>
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NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

**H. ADJUSTMENTS - RECONCILIATION OF DIFFERENCE BETWEEN THE
GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS
(CONTINUED)**

(4) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net assets and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2008, were:

Bond premium	\$ 584,969,952
Accumulated amortization	<u>(156,307,135)</u>
Total unamortized bond premium	<u>\$ 428,662,817</u>
Amortization revenue	<u>\$ 33,044,665</u>

(5) The adjustment related to current year bond activity, net, is comprised of the following:

Bond principal payment	\$ (238,725,000)
Garvee bond debt service reimbursement	8,690,000
Bond premium	(26,430,647)
Bond issuance costs	17,408,409
Net bond proceeds	1,180,077,238
Capital appreciation bonds interest expense	<u>59,665,032</u>
Current year bond activity, net	<u>\$ 1,000,685,032</u>

I. SUBSEQUENT EVENT

The Authority issued the 2008 Series A bonds totaling \$1.12 billion on November 13, 2008 to finance highway and mass transit improvements. Bond maturities for the current interest bonds and capital appreciations bonds are from 2023-2038. Interest payments for the current interest bonds begin in June 2009.

SUPPLEMENTARY INFORMATION

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2008

	Authority Reserve	Transportation Improvement	Total	Debt Service	Total
	\$	\$	\$	\$	\$
CASH BALANCES, JUNE 30, 2007					
RECEIPTS:					
Motor fuel taxes	-	483,000,000	483,000,000	-	483,000,000
Commercial vehicle fees and taxes	-	400,000,000	400,000,000	-	400,000,000
Toll road authorities	-	12,000,000	12,000,000	-	12,000,000
Interest income	1,108	24,308,480	24,309,588	38,763	24,348,351
Bond proceeds	-	1,180,077,238	1,180,077,238	-	1,180,077,238
Sale of cash management fund investment and other investments (net)	(59,341)	1,100,689	1,041,348	14,911	1,056,259
Garvee bond debt service reimbursement	-	-	-	14,861,750	14,861,750
Operating transfers in	130,852	-	130,852	629,336,700	629,467,552
Total Receipts	72,619	2,100,486,407	2,100,559,026	644,252,124	2,744,811,150
DISBURSEMENTS:					
Operating expenses and financial costs	72,619	684	73,303	895,181	968,484
Bond interest expense	-	-	-	404,631,943	404,631,943
State transportation costs	-	1,399,000,000	1,399,000,000	-	1,399,000,000
Principal retirement of bonds payable	-	-	-	238,725,000	238,725,000
Purchase of cash management fund investments	-	72,018,171	72,018,171	-	72,018,171
Operating transfers out	-	629,467,552	629,467,552	-	629,467,552
Total Disbursements	72,619	2,100,486,407	2,100,559,026	644,252,124	2,744,811,150
CASH BALANCES, JUNE 30, 2008	\$ -	\$ -	\$ -	\$ -	\$ -

Note: Cash balances consist of checking account activity only.

Commissioner / Chairman Dilts moved on to the fourth item of business which was to seek "Approval of Financial Plan for Fiscal Year 2010 (Agenda Package Item F / Tab F)."

Commissioner / Chairman Dilts again asked Executive Director Steve Hanson to provide highlights of the plan.

An annual graphic display was provided by Executive Director Hanson which indicated how the Authority conducts its business. The Authority starts with its constitutionally-dedicated revenues consisting of all 10.5 cents of the motor fuels tax, petroleum gross receipts tax, and a portion of the general sales tax which is equivalent to the new vehicle sales tax. Those three components are constitutionally dedicated for transportation capital purposes. The Authority also has some revenue sources that are statutorily dedicated and they include: heavy truck fees that were passed in 1985, good driver surcharges, and toll road contributions. They are in the Authority's statute but are not in the constitution which means that it is up to the Legislature to annually appropriate these revenues or not. As these revenues come in (equivalent to \$ 895.0 million), they are applied as follows. First, the Authority pays the debt service on its transportation system bonds and NJ Transit's Certificates of Participation which NJ Transit debt service is included in NJ Transit's line items in the Trust Fund Capital Program. Next, the Authority pays its operating expenses, usually less than \$100,000. Anything left after these first three items are paid is considered to be available for "Pay-As-You-Go" capital project expenditures. This Pay-As-You-Go funding is then compared to the total estimated cash flow on all active Trust Fund projects. This is not just the current Capital Program submission, in this case Fiscal Year 2010, but active projects from all prior year capital programs as well. It could

include a construction contract that was authorized five years ago. So, if one takes that cash flow estimate and subtracts the Pay-As-You-Go appropriation, the difference is what the Authority bonds for – that's the basic mechanism and that is the process the Authority follows each year. As a reminder, the current program originally anticipated to be a five year program (Fiscal Years 2007 to 2011). The planned appropriation to the Trust Fund (\$ 895.0 million), planned capital program (\$ 1.6 billion), and planned bonding are all on track compared to the original five year plan. What is different then expected is the Authority's overall debt service level – it's significantly higher than expected. The interest rates on the Authority's November bonds were much higher than expected and the Authority has not been able to issue as many Capital Appreciation Bonds as originally planned. For Fiscal Year 2009, the Authority is estimating its debt service to be about \$ 40.0 million higher than planned. In Fiscal Year 2010, the Authority's debt service will be almost \$ 60.0 million higher than planned -- at about \$ 874.0 million. This is a negative development and will be dependent upon market conditions between now and the Authority's next bond sale. Basically, the Authority's plan was that there would be some interest payments in the early years from current interest bonds, but a lot of debt would be back loaded using long maturities and capital appreciation bonds. The Authority sold more current interest bonds than planned with higher interest rates than expected. In Fiscal Year 2010, the Authority will be getting very close to the \$ 895.0 million appropriation with debt service expected to be \$ 874.0 million. The Authority's debt service cannot go up any further. At the last meeting, it was mentioned that the Authority would be fine for Fiscal Year

2010 and that Fiscal Year 2011 would be problematic.

During the bond sale in November 2008, the underwriter did some projections for the Authority which indicated it could squeeze out about a billion dollars in bond proceeds for Fiscal Year 2011. Unfortunately, that would not generate any new capital program for the State since that money would be needed to pay for existing active projects. As an example, this past Fiscal Year 2008 year, the Authority spent \$ 800.0 million from its cash disbursements on prior year projects, and it is anticipated that it would not be any different in Fiscal Year 2009 through Fiscal Year 2011. If the Authority issued a billion dollars of bonds in Fiscal Year 2011, almost all of it would be used to pay for prior years' projects. There will not be any funds available to support cash flows from new projects. That is a possible consequence if market conditions continue as is. The Authority's financial plan for Fiscal Year 2010 assumes the Authority will bond for \$ 1.3 billion in one or more sales. However, it is possible that the Authority may issue as much as \$ 1.6 billion in bonds in order to leave some room for new projects. The New Jersey Department of Transportation is trying to accelerate Trust Fund expenditures by awarding contracts faster, compressing construction schedules, and things of that nature. It is possible that the cash flow will be somewhat different than what was experienced over the years so room is being left for that. The Financial Plan being sent to the Legislature shows the Authority's bonding at \$ 1.3 billion but possibly up to \$ 1.6 billion. All of the other numbers reported will stay the same.

In concluding the discussion on this topic, Executive Director Hanson asked if there were any questions or comments. Public Member Robert A. Briant, Jr. then advised Commissioner / Chairman Dilts that he had a question regarding the GARVEE Bonds which may be issued to finance the Route 52 Project. A discussion ensued about using Federal Stimulus Package funds to finance the project instead of issuing GARVEE bonds. Mr. Briant was concerned with using GARVEE bonds if the Authority does not have to. He asked whether there were plans to issue other GARVEE bonds in Fiscal Year 2010 besides the GARVEE bonds for the second half of the Route 52 Project. Commissioner / Chairman Dilts then stated that he was not aware of any such plans, the board members all share the same concerns, the Authority would prefer not to issue those bonds at all, and no other GARVEE bonds were contemplated. Commissioner / Chairman Dilts then thanked Public Member Briant for his question. Robert Briant then noted that once the Authority has the detail of the Federal Stimulus Package, it may be able to avoid issuing the GARVEE bonds.

Afterwards, Commissioner / Chairman Dilts asked if there were any further questions for the board. There being no further discussion from the floor, Commissioner / Chairman Dilts requested a motion to approve the following resolution approving the Authority's Financial Plan for Fiscal Year 2010 as presented by Steven Hanson. Mr. Ripa then moved the following resolution:

WHEREAS, by virtue of the provisions of the New Jersey Laws of 1984, as amended (the "Act"), N.J.S.A. 27:1B-1 et seq., the New Jersey Transportation Trust Fund Authority (the "Authority") is authorized to issue its bonds, notes, and other obligations (collectively, the "Obligations") from time-to-time and to sell such Obligations at public or private sale at a price or prices and in a manner as the Authority shall determine; and

WHEREAS, pursuant to the Act, the Commissioner of the Department of Transportation is required to submit a report to the Senate and General Assembly which report shall contain, among other things, a description of projects to be financed in the ensuing fiscal year and a financial plan designed to implement the financing of the proposed projects to be conducted;

and;

WHEREAS, at the February 10, 2009 meeting of the Authority, the Authority discussed a proposed financial plan for transportation projects for Fiscal Year 2010, attached hereto as Exhibit A (the "2010 Financial Plan"); and

WHEREAS, the Authority has determined that it is desirable and in the best interests of the Authority to adopt the 2010 Financial Plan;

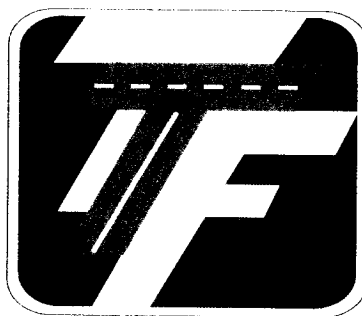
NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby approves the 2010 Financial Plan.
2. The Authority hereby authorizes the Executive Director to forward on behalf of the Authority a copy of this Resolution, including Exhibit A, which contains the 2010 Financial Plan, to the Commissioner of the Department of Transportation for submission to the Senate and General Assembly.
3. This resolution shall take effect upon adoption in accordance with the Act.

Public Members Briant and Canto seconded the motion; the members were polled with all members being in favor and with no members in opposition; and, therefore, the motion was carried.

New Jersey Transportation Trust Fund Authority Fiscal Year 2010 Financial Plan

Plan for Financing Anticipated NJDOT/NJT Capital Program Outlays for Fiscal Year 2010



**NEW JERSEY
TRANSPORTATION
TRUST FUND**

*Prepared by
Transportation Trust Fund Authority*

February 2009

Governor Jon S. Corzine

Commissioner Stephen Dilts

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 2009

Summary of Operations (FY 1985-2009)
(Dollar Amount in Thousands)

Description	Actual 1985-2008	Estimated 2009	Actual & Est Thru 2009
Authority Obligations (Uses)			
Program Appropriations	\$18,590,750	\$1,440,000	\$20,030,750
Debt Service	5,878,913	694,902	6,573,815
Authority Expenses	13,904	967	14,871
Total Authority Obligations	\$24,483,567	\$2,135,869	\$26,619,436
Authority Funding Sources			
Revenue Appropriations	\$10,712,395	\$895,000	\$11,607,395
Interest Earnings	512,762	7,938	520,700
Bond Premiums	169,591	26,430	196,021
Net Bond Proceeds	10,827,741	1,870,000	12,697,741
Total Authority Funding	\$22,222,489	\$2,799,368	\$25,021,857
Balance Unfunded	\$2,261,078	-\$663,499	\$1,597,579

The \$1.59 billion “balance unfunded” calculation for 1985 through 2009 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 \$1.59 billion calculation reflects the project appropriations since 1985 that have not been fully disbursed to vendors.

III. Debt Issuances

A. Debt Issuances - Fiscal Year 2010's \$1.6 Billion Capital Program

The Governor's budget for Fiscal Year 2010 provides \$1.6 billion of appropriation authority for NJDOT/NJ TRANSIT's Fiscal Year 2010 capital program. In addition to cash outlays from that proposed program that will occur in Fiscal Year 2010, 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 of new spending authority, the NJTTFA expects to issue \$1.3 billion in new money bonds for Fiscal Year 2010 but may issue up to \$1.6 billion if cash outlays are accelerated. 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 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 2010 is provided below:

Fiscal Year 2010: Statement of Anticipated Changes in Cash Position

Description	Sub-Total	Total
Estimated July 1, 2009 Cash Balance		\$449,178,219
Receipts:		
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 (See Note)		1,300,000,000
Total Receipts		\$ 2,205,400,000.00
Disbursements:		
State Transportation Project Costs		1,388,335,000
TTF Debt Service		762,607,000
NJT COPs Debt Service		111,665,000
SJTA South Inlet Multi-Year Funding Agreement		1,932,000
Authority Operating Expenses		83,500
Total Disbursements		\$ 2,264,622,500.00
Estimated July 1, 2009 Balance		\$ 389,955,719.34

***Note: Subject to actual cash flow of existing and new projects. The Authority anticipates it may issue up to \$1.6 billion during FY 2010 if project cash flow patterns accelerate.**

The estimated \$1.3 billion, up to a maximum of \$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 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 2008 Series A bonds of the NJTTFA, the majority of 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. The portion which was insured received ratings of: "AAA" by Fitch Investors Service, "Aaa" by Moody's Investors Service, and "AAA" 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 grant anticipation ("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 (\$131,500,000). 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 direct GARVEEs allocated to the Route 52 Contract B project with a standard 12-year repayment structure, annual debt service would be approximately \$33 million. Rather than allocate \$270 million of an 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 \$33 million. The remaining \$237 million can be used to authorize other high priority projects that will be ready for delivery in FY 2009. No State funding is pledged for repayment of the Direct 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 2010 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
Fiscal Year Bonding Credits:		
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	NA	NA
Total		\$14,000,000,000
Less Authority Bond Issuances		
1996 Series A Thru 2005 Series C	\$6,288,560,000	
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	350,000,000	
2009 Series A Grant Anticipation (est)	270,000,000	
2009 Series B (est)	1,300,000,000	
2010 Series A	NA	
Total		\$12,702,431,430
Less Appropriations Exceeding \$895 Million		
FY 2007	0	
FY 2008	0	
FY 2009	0	
FY 2010	NA	
FY 2011	NA	
Total	0	
FY 2010 Unused Debt Limit	\$0	\$1,297,568,570

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 \$1,600,000,000, 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 2010 and unpaid costs of the capital programs of NJDOT and NJ Transit for prior fiscal years. This capital plan, upon its adoption by the Authority in accordance with law, shall further constitute a declaration of the intent of the Authority to issue direct Federal grant anticipation (Garvee) bonds, as more fully described in III(D) above, in the expected maximum principal amount of \$[270,000,000], to pay, or reimburse expenditures made prior to the date of issuance of such bonds to pay, costs of the Route 52 Causeway Replacement Project.

IV. Fiscal Year 2010 Operating Budget

The NJTTFA estimates the following operating expenses will be required to manage the financing operations of the NJTTFA during Fiscal Year 2010 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
Contingency	7,500
Total	83,500

Fiscal Year 2010 Anticipated Bond Issuance Costs

The Authority plans to issue new money bonds to support Fiscal Year 2010 project expenditures. At the \$1.3 billion bonding level, the anticipated bond issuance costs for the 2009 Series B New Money Bonds is estimated to be \$7.0 million for underwriting expenses, up to \$5.25 million for bond 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.

Regarding the next item of business, a "Discussion of the Results of the November 28, 2008 Bond Sale, (Agenda Package, Item G / Tab G)," Commissioner / Chairman Dilts asked Nancy B. Feldman, Director, Office of Public Finance, to discuss the results of the November 28, 2008 Bond Sale.

Nancy Feldman stated that on October 28, 2008 the Board approved a bond resolution when global financial markets were quite shaky. At the time, it was thought that the first issue for 2009 would be approximately \$ 400.0 million. An aggressive approach was taken. Two days later, the Authority offered \$ 750.0 million of bonds. The decision to increase the amount of bonds took into account capital project needs and the fact that bond proceeds from the prior year had already been fully expended. An active radio advertising campaign, print advertising, and a new website www.buynjbonds.gov were used to attract investors.

Ms. Feldman stated that the bonds were priced on November 12 and 13, 2008 with a combination of retail and institutional investors. The interest rates were higher than the Authority had seen in a long time. That was, in part, a function of market conditions and the use of capital appreciation bonds. This was the first use of capital appreciation bonds as well as long term bonds since the financial crisis in September. There was significant demand for the bonds. In light of concern about future market interest rates, and not wanting to walk away from these demands, the Authority ultimately issued \$1.1 billion of bonds. This amount included a cushion for funding the projects through the end of the fiscal year. Ms. Feldman stated that she was hoping to issue the remainder of the bond authorization, probably \$ 300.0

million, sometime in April or May of 2009. She noted that the markets are better but they are still volatile and could get worse.

Public Member Briant then asked if the bonds are callable. Ms. Feldman responded that any bond(s) with a serial maturity are callable in ten years. The long bonds also included a put call provision that would not be inexpensive if used but could be useful in lowering the Authority's debt service and doesn't involve paying for something that the Authority cannot use. With that flexibility and the right market conditions, the Authority may be able to take advantage of these provisions. This structure was selected with Fiscal Year 2011 in mind and the opportunities that might be available to improve the Authority's remaining financing capacity.

Commissioner / Chairman Dilts then asked if Nancy Feldman could further discuss the strategy for Fiscal Year 2010. Nancy Feldman responded that the difficulty in Fiscal Year 2011 is a function of what the market demands and what the market will accept in the future. If they can be obtained at a reasonable cost, capital appreciation bonds can be used since they don't impact debt service against the \$ 895.0 million appropriation in the early years. Zero coupon capital appreciation bonds tend to cost more than current interest bonds. So, the Authority is looking at a variety of different options to lessen that cost differential. It is very much a function of the markets and overall levels of interest rates. While overall levels of interest rates appear low, compared to Treasury rates, rates for other borrowers in municipal markets, corporate markets, etc. are not nearly as low due to other credit factors.

Commissioner / Chairman Dilts then thanked Nancy Feldman for the information, asked for any questions, no questions were asked, no vote was required, and so Commissioner / Chairman Dilts then proceeded on to the next item of business. This item of business was addressed as Agenda Package, Item H / Tab H – A “Discussion Relative to a Possible Grant Anticipation (GARVEE) Bond Sale for the Route 52 Causeway Contract B Project.” Executive Director Steve Hanson was asked to brief the Authority members on the possibility of a Grant Anticipation Bond Sale (GARVEE). Commissioner / Chairman Dilts then advised the members that Mr. Briant had previously given a heads-up relative to this discussion.

Executive Director Steve Hanson stated that the State’s Federal Program has always been Pay-As-You-Go based upon what is appropriated; however, the Federal Government allows the Authority to bond against future Federal appropriations. This is commonly referred to as GARVEE bonds. The Authority has only issued GARVEE bonds once for the first half of the Route 52 Causeway Replacement project. GARVEE bonds were used because this project represented a very large expenditure that exceeded the normal federal funding allocation to the smallest MPO of the state. The project would have consumed that MPO’s normal allocation of federal funding for years. In 2006, the Authority issued GARVEE bonds for the first half of that project which involved two bridges at an expense of about \$ 130.0 million. GARVEE bonds are typically repaid in 12 years. It was a successful issue and was well-received by the market. The Authority’s bonds did not have any type of back-stop which is typically used in other states. It was a straight pledge of the State’s Federal appropriations only.

The second part of the Route 52 Project is estimated to cost about \$ 270.0 million and would use a great deal of the Federal funding for this MPO. So for the same reason, the Authority is considering using GARVEE bonds. The anticipated contract award is planned for May and the bidding will be held earlier. The Authority would issue the bonds when the contract is awarded. Presently, the Authority is proceeding as if those bonds will be issued. It has distributed a Request for Proposal (RFP) for the underwriter.

The Federal Stimulus Package, however, has changed the picture somewhat. It is possible that the project will be financed 100 percent with Stimulus money, in which case, the Authority would not have to issue GARVEE bonds. Mr. Hanson indicated that once the Stimulus Bill was enacted, the Authority can consider its strategy for financing this project. If GARVEE bonds were to be issued, the Board would be asked to approve the bond issue at a later board meeting.

Commissioner / Chairman Dilts then asked for questions or discussions from the Board or if there were any other issues to be discussed. He then expressed his appreciation to Pat Dyer for her support in serving as the TTFA's secretary since October 28, 2008. He also thanked all those present who support Executive Director Steve Hanson and welcomed Michelle Saupe in her capacity as the new TTFA Secretary.

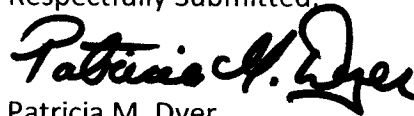
There being no further business coming from the Authority, Commissioner / Chairman Dilts requested a motion to adjourn the meeting. Public Member Robert A. Briant, Jr. moved that the February 10, 2009 meeting of the New Jersey Transportation Trust Fund Authority be adjourned, the motion was then seconded. Commissioner / Chairman Dilts then again asked

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for any more questions or discussions, there were none, and so with all members in favor with no members opposed, the motion was carried.

The February 10, 2009 meeting of the New Jersey Transportation Trust Fund Authority ended at approximately 2:35 PM.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Patricia M. Dyer", written in a cursive style.

Patricia M. Dyer
Secretary of the Authority