

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 Main Office Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on May 8, 2018 at 2:00 PM (EDT).

The following Authority members were present:

- Joseph Bertoni, Deputy Commissioner, New Jersey Department of Transportation (Designee for Acting Commissioner Diane Gutierrez-Scaccetti, NJTTFA Chairperson)
- Michael Kanef, NJTTFA Treasurer (Director, Office of Public Finance, New Jersey Department of the Treasury / Designee for the Honorable Elizabeth Maher Muoio, New Jersey State Treasurer)
- Gregory Lalevee, NJTTFA Vice Chairperson – [Via Teleconference]
- Robert A. Briant, Jr., NJTTFA Public Member
- Nelson Ferreira, NJTTFA Public Member – [Via Teleconference]

Constituting a quorum of the Members of the Authority.

There were also present:

- Gary J. Brune, NJTTFA Executive Director, CFO, NJDOT
- Brian E. McGarry, Deputy Attorney General, NJDOL
- Melissa Bayly, Deputy Attorney General, NJDOL
- John J. Duthie

- Samuel Braun, NJTTFA Comptroller; Division of Accounting & Auditing, NJDOT
- Lewis Daidone, Assistant Commissioner of Finance and Administration, NJDOT
- Nick Hansen, Analyst Trainee, NJDOT
- Adam Sternbach, Governor's Authorities Unit-- [Via Teleconference]
- Linda Davino, Secretary to the Authority, NJDOT
- Jackie Brown, Assistant Secretary to the Authority, NJDOT

Chairperson Designee Joseph Bertoni presided at the meeting, and Linda Davino, Authority Secretary, kept the minutes.

Chairperson Designee Joseph Bertoni convened the meeting at 2:00 PM. He introduced himself and made the following statement:

"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 e-mailed to five (5) newspapers of general distribution (The Trentonian, Trenton Times, Courier Post, Star Ledger, and the Atlantic City Press); posted on the Authority's website, and posted in the main entrance of the New Jersey Department of Transportation's Headquarters."

Secretary Linda Davino called the roll. The following acknowledged their presence: Joseph Bertoni, Gregory Lalevee, Robert A. Briant, Jr., Nelson Ferreira, and Michael Kanef.

After acknowledging that a quorum was present, Chairperson Designee Joseph Bertoni called the first order of business by requesting a motion to approve the minutes of the TTFA Board meeting held on November 17, 2017.

Mr. Lalevee moved to approve the following resolution approving the Authority's November, 17 2017 meeting minutes:

WHEREAS, Article II, Section 8 of the By-laws of the New Jersey Transportation Trust Fund Authority (the "Authority") provides that the minutes of actions taken at the meetings of the Authority be approved by the Authority.

NOW, THEREFORE, BE IT RESOLVED, that the minutes taken at the meeting of November 17, 2017 of the New Jersey Transportation Trust Fund Authority are hereby approved.

Chairperson Designee Joseph Bertoni asked if anyone had any questions or further discussion. The members did not have any questions or discussion on the motion. The motion was seconded by Mr. Briant and adopted on a call of roll as follows:

AYE: 5

NAY:

ABSTAIN:

ABSENT:

Chairperson Designee Joseph Bertoni declared said motion carried and said resolution adopted.

For the next order of business, Chairperson Designee Joseph Bertoni called upon Executive Director Gary Brune to lead a discussion pertaining to the TTFA's proposed Fiscal Year 2019 Financial Plan, which by law must be submitted to the Governor, the Senate, the General Assembly and the Transportation Policy Review Board. This plan outlines the financing strategy that will apply to the State highway and transit projects that are proposed for Fiscal Year 2019.

Mr. Brune stated there are a number of charts he wanted to highlight from the Fiscal Year 2019 Financial Plan. Mr. Brune directed the Board to the chart on page 3, "Summary of Operations." This chart is a snapshot of the Authority as of Fiscal Year 2018. The "Net Balance" row portrays the "tail" of the program, which is defined as the inception-to-date difference between all resources that have been provided to the Authority versus the sum of all the annual spending plan authorizations. The current Fiscal Year 2019 Financial Plan shows a "tail" totaling \$2.8 billion projected through the end of Fiscal Year 2018. The Authority currently has significantly more in spending authority than was available in resources. It typically takes five (5) years from the time a project is awarded until the cash expenses are fully paid out. It takes a while for the cash expenses to catch up to the spending authority provided.

The next chart on page 4 indicates how the Capital Plan is subscribed among the DOT at \$802 million, NJ Transit ("Transit") at \$760 million, and Local Aid at \$437 million. For Fiscal Year 2019, the Local Aid has doubled as compared to past years. The Fiscal Year 2019 Transit number has increased by approximately about \$84 million because of a funding swap between Transit and the local MPO's, (Metropolitan Planning Organizations), which took place over the last five (5) years. We are no longer doing that swap in Fiscal Year 2019 because the MPO's no longer want to continue it.

Mr. Brune explained that the chart on page 5 called "FY 19 TTF Appropriation" contains the appropriation to the Authority, which has increased from \$1.311 billion in Fiscal 2018 to \$1.348 billion in Fiscal 2019. During the past few years, these appropriations were strictly issued to pay debt service. The Authority plans to issue new money bonds near the end of Fiscal Year 2019. Further, the "Motor Fuels Tax" revenue reflected on the chart has dropped by 10%

from the number that was quoted in the Fiscal Year 2018 Appropriations Act. This drop in the Motor Fuels Tax is directly related to current vehicle fuel efficiency.

Mr. Brune referred the Board members to the chart on page 6 called the "FY19: Statement of Anticipated Changes in Cash Position," which depicts the Authority's financial position from a cash perspective. The Authority expects to start the new Fiscal Year with an estimated \$1.6 billion in cash and then receive a series of receipts that make up the appropriations. The chart projects approximately \$507 million of expected pay-as-you-go proceeds, federal project costs of approximately \$339 million related to the GARVEE indirect bond transaction, and approximately \$13 million in interest, which is a direct result of the Authority's large cash balance. The Authority expects to issue about \$0.5 billion worth of bonds halfway through Fiscal Year 2019, and the Build America Bond interest subsidy is also a resource. The chart also projects the State's Transportations Project Costs to be approximately \$1.7 billion for Fiscal Year 2019. The Authority is on pace to spend about \$1.4 billion this year. Over time, there will likely be a gradual rise in program costs to approximate the TTF program size, which currently totals \$2 billion. Mr. Brune estimated that the next installment, which is essentially cash payments to vendors, will increase from \$1.4 billion to approximately \$1.75 billion. The Authority is expected to end Fiscal Year 2019 with approximately \$900 million in cash balances.

Mr. Briant inquired about the make-up of the debt service total of \$1.687 billion. Mr. Brune responded that the \$1.687 billion consists of the \$1.348 billion appropriation for TTF debt service and the \$339 million for federal project costs.

Mr. Brune explained that the chart on page 8 called "Statutory Debt Limit" indicates that since 1996, the Authority has received and utilized approximately \$19 billion in bond credits. In

2017, the Authority was reauthorized to receive \$12 billion in bonding credits with an issuance deadline of 2024. Mr. Brune reiterated that the Authority expects to issue another \$500 million in bonds in Fiscal Year 2019. After the issuance of these \$500 million in bonds, the Authority will have authorized but unused bond credits of \$11.5 billion for the balance of the program that extends through Fiscal Year 2024. There is a change in the new TTF law whereby future bond premiums will count against bond cap.

Mr. Brune explained that the chart on page 9 called "Anticipated Operating Expenses" reflects the anticipated operating expenses of the Authority. These are not transaction costs related to any of the bond sales but rather minor expenses for Authority operations. Since the Board previously agreed to create a cash forecasting system, the Authority has retained two (2) consultants, Acacia and Math Tech, the latter being the project manager and the former being the project developer. These are payments to create the cash forecasting system which is anticipated to go into operation sometime in Fiscal Year 2019.

Mr. Kanef stated that he wanted to make the Board aware that in Fiscal Year 2023 or 2024, a potential funding issue could arise whereby debt service costs might exceed the Authority's ability to pay. Resources will include the amount of authorized bond issuances still available, cash on hand, and the capital reserve fund. Mr. Brune responded that current projections show that the Authority will make it through Fiscal Year 2024, the last year of the current reauthorization. Mr. Brune expressed that although it is possible the Authority may have a potential funding issue in 2025, the analysis very much depends on how fast the cash expense bills come through.

Chairperson Designee Joseph Bertoni then asked if there were any further discussion. Hearing none, he requested a motion to approve the resolution authorizing the submission of the

Fiscal Year 2019 Financial Plan to the Commissioner of the Department of Transportation for submission to the Governor, the Senate, the General Assembly, and the Transportation Policy Review Board.

Mr. Kanef moved to approve the following Resolution:

RESOLUTION OF THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY APPROVING THE FISCAL YEAR 2019 FINANCIAL PLAN AND AUTHORIZING THE SUBMISSION OF THE FISCAL YEAR 2019 FINANCIAL PLAN TO THE COMMISSIONER OF THE DEPARTMENT OF TRANSPORTATION FOR SUBMISSION TO THE GOVERNOR, THE SENATE, THE GENERAL ASSEMBLY, AND THE TRANSPORTATION POLICY REVIEW BOARD

WHEREAS, by virtue of the provisions of Chapter 73 of the Laws of New Jersey 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 Governor, the Senate, the General Assembly, and the Transportation Policy Review Board, which report shall contain, among other things, a description of the projects to be financed in the ensuing fiscal year and a financial plan designed to implement the financing of the proposed projects; and

WHEREAS, on May 8, 2018, the Authority discussed the proposed financing plan for transportation projects for Fiscal Year 2019, attached hereto as Exhibit A (the "Fiscal Year 2019 Financial Plan"); and

WHEREAS, the Authority has determined that it is desirable and in the best interest of the Authority to adopt the Fiscal Year 2019 Financial Plan.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Authority hereby approves the Fiscal Year 2019 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 Fiscal Year 2019 Financial Plan, to the Commissioner of the Department of Transportation for submission to the Governor, the Senate, the General Assembly, and the Transportation Policy Review Board.
3. This Resolution shall take effect upon adoption in accordance with the Act.

EXHIBIT A

FISCAL YEAR 2019 FINANCIAL PLAN

The motion was seconded by Mr. Briant and adopted on a call of roll as follows:

AYE: 5

NAY:

ABSTAIN:

ABSENT:

Chairperson Designee Joseph Bertoni declared said motion carried and said resolution adopted.

There being no further business coming from the Authority, Chairperson Designee Joseph Bertoni requested a motion to adjourn the meeting. Mr. Kanef moved that the May 8, 2018 meeting of the New Jersey Transportation Trust Fund Authority be adjourned. Mr. Ferreira seconded the motion, which was carried by unanimous vote.

The May 8, 2018 meeting of the New Jersey Transportation Trust Fund Authority ended at approximately 2:20 PM.

Respectfully Submitted,



Linda M. Davino

Secretary of the Authority