
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

LOCATION: Committee Room 9
State House Annex
Trenton, New Jersey

DATE: May 31, 2019
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

James M. Rutala, Chair
Eugene Lepore, Vice Chair
Senator Paul A. Sarlo
Senator Samuel D. Thompson
Assemblyman John DiMaio
Justin Braz
Catherine Z. Brennan
Dennis Zeveloff



ALSO PRESENT:

Guy Bocage
Executive Director

David F. Patella
Assistant Executive Director

Daniel Nason
Brian Onda
Budget Specialists

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
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(The New Jersey Commission on Capital Budgeting and Planning held a meeting on May 31, 2019, at 10:00 a.m. Members of the Commission present via teleconference were Eugene Lepore, Senator Paul A. Sarlo, Senator Samuel D. Thompson, Justin Braz, and Dennis Zeveloff.)

JAMES M. RUTALA (Chair): Good morning.

I'd like to call this meeting to order.

In accordance with Open Public Meetings Act, the Commission has provided adequate notice of this meeting by giving written notice of the time, date, and location. The notice of the meeting has been filed at least 48 hours in advance by mail or by fax to the Trenton *Times* and the *Star-Ledger*, and filed with the Secretary of State.

We will now take roll call.

MR. BOCAGE (Commission Executive Director): Senator Sarlo.

SENATOR SARLO: Present.

MR. BOCAGE: Senator Thompson.

SENATOR THOMPSON: Here.

MR. BOCAGE: Assemblywoman Sumter. (no response)

Absent.

Assemblyman John DiMaio.

ASSEMBLYMAN DiMAIO: Present.

MR. BOCAGE: Ms. Catherine Brennan.

MS. BRENNAN: Here.

MR. BOCAGE: Ms. Jo-Ann Povia. (no response)

Absent.

Mr. Dennis Zeveloff.

MR. ZEVELOFF: Here.

MR. BOCAGE: Mr. Justin Braz.

MR. BRAZ: Here.

MR. BOCAGE: Mr. Eugene Lepore.

EUGENE LEPORE (Vice Chair): Here.

MR. BOCAGE: And the Chair is here.

MR. RUTALA: Very good; we have a quorum.

We'll now take a vote on the motion to approve the minutes of February 13, 2019.

MR. LEPORE: So moved.

SENATOR THOMPSON: Second

MR. BOCAGE: Okay, we'll now take a vote on the motion to approve the minutes of February 13.

Senator Sarlo.

SENATOR SARLO: Yes.

MR. BOCAGE: Senator Thompson.

SENATOR THOMPSON: Yes.

MR. BOCAGE: Assemblyman John DiMaio.

ASSEMBLYMAN DiMAIO: I'm going to abstain.

MR. BOCAGE: Okay.

Ms. Brennan.

MS. BRENNAN: Yes.

MR. BOCAGE: Mr. Zeveloff.

MR. ZEVELOFF: Yes.

MR. BOCAGE: Mr. Braz.

MR. BRAZ: Yes.

MR. BOCAGE: Mr. Lepore.

MR. LEPORE: Yes.

MR. BOCAGE: And Chair.

MR. RUTALA: Yes.

MR. BOCAGE: We have a quorum.

MR. RUTALA: Okay, thank you.

Now we have a Debt Report presentation for Fiscal Year 2018.

M I C H A E L B. K A N E F: Good morning, Chairman and Commission members.

I'm Michael Kanef, the Director of the Office of Public Finance in the Department of Treasury.

Seated here with me is David Moore, in the first row, Deputy Director of the Office; and Anthony Longo, next to me, the Senior Manager of the Office, who has presented to the Commission in the past.

We are here today to present State of New Jersey's Debt Report for Fiscal Year 2018.

Also with me in the audience are John Megariotis, Director of the Division of Pensions and Benefits; and Jim Kelly, Assistant Director, Office of Management and Budget. John is here to assist with any pensions-related questions, and Jim is here to assist with any accounting-related questions.

As you know, the Office of Public Finance is the Treasury agency responsible for managing the process of borrowing funds for capital purposes, primarily through the issuance of bonds, notes, and other obligations in the capital markets.

The purpose of the report is to assist the Commission, by its acceptance of the report, in meeting its legislative mandate to include such a report in its State Capital Improvement Plan. In addition, the report is made available on our Office's website, and provides a data resource document to the public finance community.

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

Thank you.

ANTHONY M. LONGO: Thank you, Michael.

This year's report is generally consistent in format with that of prior years.

The report comprises eight sections. Section 1 is an introduction, which includes a discussion of the various types of obligations covered and not covered by the report. Section 2 is the legislative requirement for the report. Section 3 includes the State's outstanding obligations, which consists of summary tables and charts, changes in long-term obligations, a 10-year history of outstanding obligations, and a listing of legislatively authorized but unissued debt.

Section 4 provides data on the annual Debt Service associated with the State's outstanding obligations, with summary tables and charts, followed by more detailed data.

In Section 5, we provide obligation profiles for each bond issue or bond program funded with bonds. Section 6 provides selected debt metrics, which compare New Jersey's standing relative to the other states.

Section 7 contains a glossary of terms and headings used throughout this report and in the State CAFR. Section 8 includes a section

containing supplemental information, including subsequent events which occurred after June 30, 2018, as well as certain pension and benefits data.

At this point, I can begin a brief review of the numbers, focusing on some of the major totals and subtotals.

Please turn to page 8 of the report.

If you look at the fourth line down in the top table, you can see the total CAFR reconciled bonded obligations decreased \$936 million, from Fiscal Year 2017 to Fiscal Year 2018. Non-bonded obligations decreased \$21.9 billion, to \$193.9 billion. The bonded and non-bonding obligations, together, sum the report total of \$239 billion of aggregate bonded and non-bonded obligations as of June 30, 2018. This represents a decrease of \$22.9 billion from June 30, 2017, from \$261.9 billion.

These figures reflect the implementation of the Governmental Accounting Standards Board's -- *GASB* -- Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, *OPERS*.

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

Turn to page 10, and see the outstanding general obligations of the State. The State's general obligation bonds decreased \$244.7 million, year-over-year. The State's total outstanding general obligation bonds, on June 30, 2018, were \$1.8 billion.

If you look at the next page you can see the State is subject to appropriation bonds supported by general State revenues. These

obligations increased \$17.8 million. The total outstanding amount of these obligations, on June 30, 2018, was \$15.7 billion.

If you turn to the next page, you can see the State is subject to appropriation bonds supported by dedicated State revenues. These obligations decreased by \$700.1 million, year-over-year.

The total outstanding amount of these obligations, on June 30, 2018, was \$16.7 billion. Also on this page is a subtotal for the three previous sections.

If you turn to the next page you can see the CAFR reconciliation, which consists of obligations not supported by State revenues, obligations reported on other entities' books, and other bond adjustments. The total CAFR reconciliation decreased \$9.5 million, year-over-year, to about \$11 billion.

The sum of the four previous sections, in the aggregate bonded obligations' figure -- \$45.2 billion; which, again, was a decrease of \$936.6 million.

If you turn to the next page you can see the non-bonded obligations, which totaled \$193.9 billion on June 30, 2018, which decreased \$21.9 billion. If you add the aggregate bonded obligations figure from the previous page, to the total non-bonded obligations from this page, you will arrive at the report total of \$239 billion of aggregate bonded and non-bonded obligations as a June 30, 2018, a decrease of \$22.9 billion.

In addition to information on the State's outstanding obligation, the statute also requires the report to include debt service costs on those obligations for the prior fiscal year, the current fiscal year, and the subsequent five fiscal years. If you turn to page 18 you can see, in Fiscal

Year 2018, the State incurred \$3.9 billion in debt service supported by State revenues. In Fiscal Year 2019, that figure was projected to increase to \$4.2 billion. However, \$342.7 million of EDA State House bonds were remarketed to long-term fixed-rate bonds prior to their maturity on December 17, 2018. This decreased the debt service in that year by a like amount.

After 2019, debt service is projected to trend downward from Fiscal Year 2020 through 2024.

If you turn to page 20, you can see the debt service supported by general State revenues in Fiscal Year 2018 was \$2.4 billion. In Fiscal Year 2019, that figure is projected to rise to \$2.7 billion; however, this also accounts for the \$347 million of State House debt that was remarketed.

After 2019, debt service is projected to gradually decline from Fiscal Year 2020 through 2024.

If you turn to the next page you can see the debt service supported by dedicated State revenues, in Fiscal Year 2018, was \$1.5 billion. That figure is projected to stay relatively flat through 2024, remaining in the \$1.5 billion to \$1.6 billion range.

In addition to bonded and non-bonded debt, the statute also requires the report to include the unfunded actuarial accrued liability for State-administered retirement systems, and the unfunded actuarial accrued liabilities for post-retirement medical and other benefits. Those figures are presented on pages 70 through 75 of the report.

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

MR. RUTALA: Okay; are there any questions? (no response)

Could you comment on Section 6, the comparisons to other states?

MR. KANEF: The State comparisons are presented on pages 63 and 64. These numbers are based on a report that was issued by Moody's Investors Service on April 24, 2018; it's one of the large credit rating agencies that rate the State and the State's outstanding obligations. And it provides Moody's estimates of our total bonded debt as a percentage of net-supported debt per capita, and total amount of net tax-supported debt per capita. *Net tax-supported debt* is a percentage of personal income. And then the totals for total net tax-supported debt and gross tax-supported debt, as well as those numbers, is a percentage of the State's gross State Domestic Product.

I think the one item that is clear from looking at these charts is that, in each case, the State of New Jersey is in one of the top four positions; meaning, the top -- as in largest obligations for states.

MR. RUTALA: Okay, thank you.

Are there any other questions? (no response)

Hearing none, can we take a motion on the approval of the Debt Report?

MS. BRENAN: Motion.

MR. RUTALA: Second?

ASSEMBLYMAN DiMAIO: Second.

MR. BOCAGE: On the matter of accepting the Debt Report for Fiscal Year 2020; Senator Sarlo.

SENATOR SARLO: I will vote to accept.

The Debt Report -- really, it calls to all of us in the Legislature and the Administration to recognize that this is something we need to take seriously, as we plan for the future for the fiscal stability of our state.

But yes, I will accept the Report as submitted.

MR. BOCAGE: Senator Thompson.

SENATOR THOMPSON: Yes.

MR. BOCAGE: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: I'll vote to accept it as presented; but I echo Senator Sarlo.

MR. BOCAGE: Ms. Catherine Brennan.

MS. BRENNAN: Yes; accept.

MR. BOCAGE: Mr. Dennis Zeveloff.

MR. ZEVELOFF: Yes.

MR. BOCAGE: Mr. Justin Braz.

MR. BRAZ: Yes.

MR. BOCAGE: Mr. Eugene Lepore.

MR. LEPORE: Yes.

MR. BOCAGE: And the Chair.

MR. RUTALA: Yes.

MR. BOCAGE: Chair, the motion is approved.

MR. RUTALA: Okay, thank you.

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

If not, I will call for a motion to adjourn.

ASSEMBLYMAN DiMAIO: So moved.

SENATOR THOMPSON: Second.

MR. RUTALA: Okay, thank you very much.
This meeting is adjourned.

(MEETING CONCLUDED)