

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 May 3, 2010 at 10:00 AM (EDT).

The following Authority members were present:

- James S. Simpson, Commissioner, New Jersey Department of Transportation; Chairman, New Jersey Transportation Trust Fund Authority (NJ TTFA)
- Steven Petrecca, Assistant State Treasurer, NJ Office of the Treasurer (*Designee for The Hon. Andrew P. Sidamon-Eristoff*)
- *New Jersey State Treasurer*)
- Robert A. Briant, Jr., Public Member
- Thomas J. Canto, Public Member
- Vivian Altman, Public Member

Constituting a quorum of the Members of the Authority.

There were also present:

- Steven B. Hanson, Executive Director
- Michelle E. Saupe', Secretary of the Authority
- Linda M. Davino, Assistant Secretary of the Authority
- Aimee Manocchio Nason, Deputy Attorney General, NJDOL&PS
- Judy Sigle, Director, Division of Accounting and Auditing, NJDOT
- Michael J. MacFeeters, Division of Accounting and Auditing, NJDOT
- Johanna Barba Jones, Governor's Authorities Unit
- Andrew Pratt, Director of Communications, Office of the NJ Treasurer
- James Vari, Budget Analyst, Office of Management and Budget
- Dustin McNichol, Bloomberg News
- Karen Rouse, The Record
- Kristina Eng, A.C. Advisory, Inc.

Commissioner/Chairman Simpson presided at the meeting and Michelle E. Saupe', Secretary, kept the minutes.

Commissioner/Chairman Simpson convened the meeting at 10:03 AM. He then introduced himself as the new NJ TTFA Chairman 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 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."

Commissioner/Chairman Simpson requested Executive Director Steve Hanson to call the roll and acknowledged that a quorum was present. Commissioner/Chairman Simpson welcomed everyone present at the meeting.

As the first order of business (Agenda Package, Item / Tab C), Commissioner/Chairman Simpson requested a motion to approve the minutes of the Authority's July 27, 2009 meeting. Executive Director Hanson indicated to the Commissioner that only three of the members: Steve Petrecca, Robert A. Briant, Jr. and Vivian Altman were present at the July 27, 2009. He then noted that based upon prior guidance from the Attorney General's Office an ex-officio board member whose predecessor attended a meeting may approve meeting minutes, even if he did not attend the meeting, if he is satisfied from discussions with the Executive Director or other Board Members in attendance that the minutes are a true and accurate representation of what occurred at the meeting.

Executive Director Hanson stated he explained the preparation and review process associated with the minute preparation (i.e. recording, draft, executive director review, and DAG review) to Commissioner/Chairman Simpson. Commissioner/Chairman Simpson was agreeable to approving the minutes of the July 27, 2009 meeting as the new Ex-Officio Member of the Board. Public Member Robert A. Briant, Jr. moved the following resolution approving the minutes of the Authority's July 27, 2009 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 July 27, 2009 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The motion was seconded by Public Member Vivian Altman. Commissioner/Chairman Simpson asked if anyone had any questions or further discussion. The members did not have questions or discussion on the motion.

The members were polled. Four members were in favor, and no members were in opposition; therefore, the motion was carried.

As the second item of business, (Agenda Package, Item/Tab D), Commissioner/Chairman Simpson requested a motion to approve the minutes of the Authority's December 8, 2009 meeting. Executive Director Hanson then reminded Commissioner/Chairman Simpson that he was allowed to vote in the affirmative for approval of the minutes if he was satisfied based upon discussions with the Executive Director or other Board Members in attendance that the minutes are a true and accurate representation of what occurred at the meeting.

Public Member Vivian Altman moved the following resolution approving the minutes of the Authority's December 8, 2009 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 December 8, 2009 of the New Jersey Transportation Trust Fund Authority are hereby approved.

The motion was simultaneously seconded by Steven Petrecca, Assistant State Treasurer, NJ Office of the Treasury, Designee for The Hon. Andrew P. Sidamon-Eristoff and Public Member Thomas J. Canto. Commissioner/Chairman Simpson asked if anyone had any questions. With no questions asked of the board, the members were polled. Four members were in favor, and no members were in opposition; therefore, the motion was carried.

As the third item of business (Agenda Package, Item/Tab E), Commissioner/Chairman Simpson asked Executive Director Steve Hanson to lead a discussion regarding the proposed resolution to elect a Treasurer for the NJ TTFA. Executive Director Hanson mentioned that Nancy Feldman, former Director of the Office of Public Finance had resigned and that the position needed to be filled in order for the Authority to pay invoices. Executive Director Hanson informed the Board that Steven Petrecca, Assistant State Treasurer, NJ Office of the Treasury, Designee for The Hon. Andrew P. Sidamon-Eristoff, had volunteered to serve in the capacity of Treasurer for the NJ TTFA for the remainder of Fiscal Year 2010.

Commissioner/Chairman Simpson stated if there is no further discussion, he would like to request a motion to approve the resolution electing Steven Petrecca, Assistant State Treasurer, NJ Office of the Treasury, Designee for The Hon. Andrew P. Sidamon-Eristoff as the Treasurer of the Authority for the remainder of Fiscal Year 2010. Public Member Robert A. Briant, Jr., moved the following resolution:

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

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

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

NOW, THEREFORE, BE IT RESOLVED that the Authority elects Steven Petrecca, Assistant State Treasurer, NJ Office of the Treasury, Designee for The Hon. Andrew P. Sidamon-Eristoff to serve in the capacity of Treasurer for the remainder of Fiscal Year 2010.

Public Member Thomas J. Canto, 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.

As the next item of business (Agenda Package, Item/Tab F), Appointment to the Audit Committee, Commissioner Chairman Simpson asked Executive Director Hanson to lead a discussion on the appointment of members to the NJ TTFA Audit Committee. Mr. Hanson noted that the Authority must engage an independent CPA firm annually to audit the Authority's financial statements. Under the current executive order, the Authority must maintain an Evaluation Committee to distribute a request for proposal ("RFP") for firms to serve as the Authority auditor, and score the responses and a separate Audit Committee to meet with the selected CPA firm to discuss any findings the firm may have in connection with the audit. Mr. Hanson also noted that Alemnesh Tessema (NJDOT), Steve Petrecca (Treasurer's designee), and Vivian Altman (Public Member) are currently members of the Evaluation Committee and that an RFP is about to be issued. The prior Audit Committee consisted of Commissioner Stephen Dilts, Steve Petrecca, and Robert A. Briant Jr. Commissioner Simpson recommended the nomination of Walter Perkins, Special Assistant to the Commissioner (DOT) to serve on the committee. Steve Petrecca and Bob Briant Jr. agreed to continue on the Committee.

Commissioner/Chairman Simpson then asked for a motion to adopt the resolution appointing the three members to the NJ TTFA Audit Committee.

Public Member Vivian Altman moved the following resolution appointing new members to the NJ TTFA Audit Committee:

RESOLUTION APPOINTING MEMBERS OF THE AUDIT COMMITTEE

WHEREAS, the Transportation Trust Fund Authority (the “Authority”) was established pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, as amended, N.J.S.A. 27:1B-1 et seq., (“Act”); and

WHEREAS, on July 23, 2004, Governor McGreevey issued Executive Order No. 122 which requires the governing body of a State authority to establish an Audit Committee and sets forth certain duties and obligations of the Audit Committee and to establish an Evaluation Committee and sets forth certain duties and obligations of the Evaluation Committee; and

WHEREAS, the Authority amended its By-laws to establish an Audit Committee and an Evaluation Committee in compliance with E.O. 122 (McGreevey 2004); and

WHEREAS, there are currently vacancies on the Audit Committee; and

WHEREAS, the Authority desires to appoint individuals to serve on the Audit Committee in compliance with the requirements of E.O. 122 (McGreevey 2004) and its By-laws;

NOW, THEREFORE, BE IT RESOLVED that:

1. The Authority hereby appoints three individuals to serve on the Audit Committee in accordance with Article VI of the By-laws who shall serve until such time as their successors are appointed, two of whom shall be members of the board. The individuals are:
 - 1) Steven Petrecca;
 - 2) Robert A. Briant, Jr.; and
 - 3) Walter Perkins
2. This Resolution shall take effect upon adoption in accordance with the Act.

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

Commissioner/Chairman Simpson asked the Board to turn to (Agenda Package, Item/Tab G), Change in the Authority's By-laws. Steve Hanson advised the Authority members that this item was a housekeeping matter. The by-laws currently require the Authority to publish an annual schedule of quarterly meetings as part of the Annual Meeting. This is an obsolete provision because the Authority does not normally have regularly scheduled meetings. The Authority meets as needed and works to accommodate the schedules of the Board members. In order to comply with the by-laws, the Authority has published a schedule of four quarterly meetings but no meetings have been held on those dates. This agenda item proposes to change the by-laws to eliminate the need for such schedule. Instead, the Authority will consider all of its meetings Special Meetings and will follow the Open Public Meetings Law provisions to ensure adequate notice is provided to the public.

Commissioner/Chairman Simpson then asked if the board had any questions or discussion on the resolution. Since there were no further questions or discussion, Commissioner/Chairman Simpson asked the board for a motion to adopt the change in By-laws. Public Member Thomas J. Canto moved the following resolution:

RESOLUTION AMENDING THE BY-LAWS TO ELIMINATE REQUIRED REGULAR MEETINGS OF THE AUTHORITY, ELIMINATE AN ANNUAL NOTICE OF REGULAR MEETINGS AND REVISING CERTAIN OTHER MATTERS

WHEREAS, the Transportation Trust Fund Authority (the Authority), was established pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, N.J.S.A. 27:1B-1 et seq., as amended and supplemented (the Act) and is authorized, pursuant to the Act, to make and alter By-laws for its organization and internal management; and

WHEREAS, pursuant to Article XI, Section 2 of the duly adopted By-laws of the Authority, the By-laws may be amended by a resolution duly adopted at any meeting of the Authority, provided that notice of intention to present such resolution shall be given at least seven days prior to the meeting of the Authority at which the motion to adopt such resolution is made; and

WHEREAS, notice of intention to present a resolution to amend the By-laws was given to the members of the Authority at least seven days prior to this meeting; and

WHEREAS, Article II, Section 1 of the By-laws provides for regular meetings of the Authority to be held on a quarterly basis; and

WHEREAS, Article II, Section 3 provides for the Authority to adopt an annual notice of regular meetings of the Authority; and

WHEREAS, the Authority can operate most efficiently by holding Special Meetings, as needed; and

WHEREAS, it is therefore not necessary for the Authority to hold regular meetings or to adopt an annual notice of regular meetings of the Authority; and

WHEREAS, the Authority desires to amend certain sections of Article II and Article IV to eliminate regular meetings, eliminate the requirement for the adoption of an annual notice of meetings and to make certain grammatical and conforming changes;

NOW, THEREFORE, BE IT RESOLVED, that:

1. The Authority approves the amendments to the By-laws as set forth in the attached document, including, without limitation, the amendments to Article II and Article IV.
2. This Resolution shall take effect upon adoption in accordance with the Act.

Public Member Vivian Altman and Steven Petrecca, Assistant State Treasurer, NJ Office of the Treasury, Designee for The Hon. Andrew P. Sidamon-Eristoff seconded the motion simultaneously.

The members were polled with all members being in favor, and no members were in opposition; therefore, the motion was carried.

As the last item of business, Commissioner/Chairman Simpson asked the members to turn to (Agenda Package, Item/Tab H), asking the Board to approve the Authority's Finance Plan for Fiscal Year 2011. He again asked Mr. Hanson to discuss the FY 2011 Finance Plan. Executive Director Hanson provided a PowerPoint Presentation which provided background on how the Transportation Trust Fund Authority works, a history of revenues, appropriations and bonding

practices, the current status of the FY 2007-2011 Financial Plan, and the recommended FY 2011 Financial Plan.

Mr. Hanson noted that many people do not understand how the Trust Fund works. Many people believe its a pot of money that is filled up at the beginning of an authorization, gets spent out at some rate, and there is a balance at any given time. In fact the Trust Fund consists of two components. The first is the Transportation Trust Fund Authority which serves as “the bank” in supporting the State’s transportation program. The second is the NJDOT/NJT Capital Program which is a list of capital projects currently in the amount of \$1.6 billion which is authorized on March 1 each year. This project list is analogous to a credit card because it provides the spending authority (obligation authority) for NJDOT and New Jersey Transit Corporation (NJT). Some spending may be for items that result in immediate payments but much of the spending comes in the form of construction and design contracts that are spent out over several years. The Authority, acting as the bank, is only concerned with financing the cash payments to vendors. Each new fiscal year generates a new “credit card” to NJDOT and NJT and the cash flows that require financing emanate from all currently active projects, not just those listed in the new capital program.

The Trust Fund Authority financing process starts with constitutionally dedicated revenues including 10.5 cents of the Motor Fuels Tax, the Petroleum Gross Receipts Tax, and a portion of the General Sales Tax that is associated with new vehicle sales. The Authority also receives some current revenue from the statutorily dedicated toll road contributions. Once the legislature appropriates these revenues, the Authority first pays debt service on its own debt as well as ensures current revenue is covering NJ Transit debt that is paid from the Trust Fund capital program. Public Member Robert A. Briant Jr. asked Steve Hanson whether that amount was increasing or declining. Mr. Hanson indicated the amount will be dropping from \$114 million to \$95 million in FY 2011. Steve Hanson stated that the difference between the appropriation and the debt service reflects the “pay as you go” component of the financing plan. The difference

between the pay as you go funding and total estimated cash outlays for the year becomes the bonding requirement for the Authority.

Executive Director Hanson indicated the Authority operates under a variety of constraints. Annual bonding may not exceed \$1.6 billion annually but unused bonding authority from one year may be used in subsequent years with the approval of the Joint Budget Oversight Committee. The Authority cannot issue bonds with a term exceeding 31 years. Only projects authorized in the annual appropriations act can be financed by the Authority.

The constitutionally dedicated revenue has increased dramatically since 1984 from only 2.5 cents of the motor fuel tax to all 10.5 cents of the motor fuel tax and all revenues from the Petroleum Gross Receipts Tax and new vehicle sales tax revenue. However, the only tax increase that has supported this dedication is the 2.5 cents motor fuel tax increase that occurred in 1988. All other dedication has occurred as a result from redirection of existing revenues that were flowing to the State General Fund.

Executive Director Hanson noted that the appropriation has increased dramatically over the years as well. The total appropriation has increased from \$250 million to \$1.6 billion. The portion attributable to NJ Transit has increased from almost nothing in the first few years to a little less than half the program.

The amount of outstanding debt has spiraled almost exponentially in recent years for two reasons. The first is the Authority has financed larger programs with larger amounts of debt. The other major component is longer bond maturities. The Authority issued bonds that had 11 year maturities in the early years. Then, after the 1995 reauthorization, the Authority started issuing bonds with 21 year maturities. Most recently, the 2006 reauthorization authorized 31 year bond maturities. As the maturities have increased, the amount of principal being retired has declined.

The Authority is currently only retiring about \$250 million in principal each year while issuing up to \$1.6 billion of new bonds.

Revenue appropriations to the Authority during the FY 2007-2011 period have equaled \$895 million annually as planned. The Authority does not receive about \$180 million that is currently constitutionally or statutorily dedicated for transportation capital purposes. Approximately \$69 million of constitutionally dedicated revenues are directed to the operating budgets of NJDOT and NJT for eligible costs. Another \$111.5 million of statutorily dedicated revenues are being directed to State General Fund purposes.

Due to very unfavorable market conditions that occurred in 2008 and 2009 arising from the world banking crisis, the Authority was not able to issue the amount of Capital Appreciation Bonds as planned and needed. Interest rates on FY 2009 debt were 6.25% instead of the planned rate of 4.8%. Current debt service is \$850 million and it is projected to increase up to the maximum limit of \$895 million by the end of FY 2011.

The current debt service schedule provides very little room for current interest bonds between FY 2010 and FY 2024. The Authority can issue some current interest Build America Bonds during that period while keeping the net debt service level (after IRS rebate) under the \$895 million level. It appears the Authority will still have to issue some capital appreciation bonds in the 2025-2042 time period to fully finance the FY 2011 capital program.

Executive Director Hanson indicated that NJ DOT and NJ Transit estimate cash flow needs in FY 2011 equaling approximately \$1.67 billion. The Authority would need to issue approximately \$1.8 billion in PAR value of bonds to generate these proceeds. This amount is within the total available bond cap amount because of the carry forward of bond cap from prior years. But, the Authority would have to secure approval from the Joint Budget Oversight Committee to use the extra \$200 million of bonding authority over the annual \$1.6 billion limit for FY 2011.

Mr. Hanson noted that the first sale will probably need to occur in August 2010 based on current cash projections. The detailed structure of the bonding is yet to be worked out and Treasury will be using a RFP process to select an underwriter shortly.

Mr. Hanson concluded his presentation by noting that after the FY 2011 bonding is completed there will be no estimated residual financing authority left. The Authority will need to use the entire \$895 million in appropriation revenue to cover debt service obligations over the next 30 years.

Commissioner/Chairman Simpson asked for a motion to approve resolution of the NJ TTFA FY 2011 Financial Plan. Public Member Vivian Altman moved the following resolution:

**RESOLUTION OF THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
APPROVING THE FISCAL YEAR 2011 FINANCE PLAN AND AUTHORIZING THE
SUBMISSION OF THE FISCAL YEAR 2011 FINANCE PLAN TO THE COMMISSIONER
OF THE DEPARTMENT OF TRANSPORTATION FOR SUBMISSION TO THE SENATE
AND THE GENERAL ASSEMBLY**

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 May 3, 2010 meeting of the Authority, the Authority discussed a proposed financing plan for transportation projects for Fiscal Year 2011, attached hereto as Exhibit A (the “2011 Finance Plan”); and

WHEREAS, the Authority has determined that it is desirable and in the best interests of the Authority to adopt the 2011 Finance Plan;

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby approves the 2011 Finance 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 2011 Finance Plan, to the Commissioner of the Department of Transportation for submission to the Senate and General Assembly.
2. This Resolution shall take effect upon adoption in accordance with the Act.

The resolution was seconded by Public Member Robert A. Briant, Jr. With no further discussion or questions on the motion, the members were polled with all members being in favor, and no members were in opposition; therefore, the motion was carried.

Commission/Chairman Simpson informed everyone that he had a special resolution from the NJ TTFA Board. Commissioner/Chairman thanked Mr. Hanson for his outstanding service to NJDOT and as Executive Director to the NJ Transportation Trust Fund Authority. Commissioner/Chairman Simpson then asked for a motion to adopt the resolution in honor of Steven B. Hanson. Public Member Vivian Altman then moved the following resolution:

RESOLUTION OF THE NEW JERSEY
TRANSPORTATION TRUST FUND AUTHORITY
MAY 3, 2010

WHEREAS, Steven B. Hanson has served as Executive Director to the New Jersey Transportation Trust Fund Authority, an independent agency of the New Jersey state government, from July 1994 to May 2010, and

WHEREAS, the Executive Director plays a key role in the operation of the Authority, charged with coordinating the work of multidisciplinary teams from public and private entities to address the bonding and investing responsibilities associated with the Authority, and,

WHEREAS, Steven B. Hanson fulfilled all the duties of the Executive Director with dedication, professionalism and hard work and often under restricted time lines, and,

WHEREAS, even under the most stressful of circumstances, Steven B. Hanson always provided direction and leadership, and

WHEREAS, the people of the State of New Jersey, the New Jersey Department of Transportation, and the New Jersey Transportation Trust Fund Authority take great pleasure in recognizing the significant contributions and commitment personified by Steven B. Hanson

Be it resolved by the New Jersey Transportation Trust Fund Authority

That this Authority hereby honors and salutes Steven B. Hanson as he retires from his extraordinary career at the New Jersey Department of Transportation, and his duties as Executive Director to the Transportation Trust Fund Authority, commends his outstanding performance to the people of the state, and extends sincere best wishes on his future endeavors.

James S. Simpson
Chairman

Joseph Ripa
Vice Chairman

Steve Petrecca
Board Member

Robert A. Briant, Jr
Board Member

Vivian Altman
Board Member

Thomas J. Canto
Board Member

Louis A. Giammarino
Board Member

Public Member Robert A. Briant, Jr., seconded the motion above, the members were polled with all members being in favor, and no members were in opposition; therefore, the motion was carried.

Commissioner/Chairman Simpson asked the Board if there were any other business to be discussed. Hearing none, he requested a motion to adjourn. Public Member Robert A. Briant, Jr. moved the motion and Public Member Vivian Altman seconded the motion.

The members were polled with all members being in favor, and no members were in opposition; therefore, the motion was carried.

The New Jersey Transportation Trust Fund Authority meeting ended at approximately 10:36 A.M.

Respectfully Submitted,

Michelle E. Saupe'
Authority Secretary