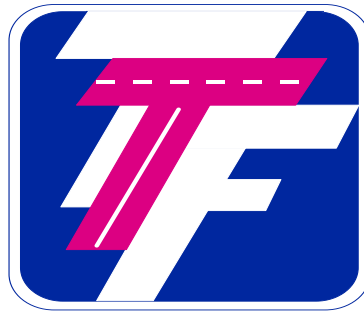


New Jersey Transportation Trust Fund Authority Fiscal Year 2008 Financial Plan

Plan for Financing Anticipated NJDOT/NJT Capital Program Outlays for Fiscal Year 2008



**NEW JERSEY
TRANSPORTATION
TRUST FUND**

*Prepared by
Transportation Trust Fund Authority*

March 2007

Governor Jon S. Corzine

Commissioner Kris Kolluri, Esq.

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 must contain an enumeration of bonds, notes or other obligations of the NJTTFA that the NJTTFA intends to issue, including the amounts and the conditions therefore. The financial plan must set forth a complete operating and financial statement covering the [NJTTFA's] proposed operations during the ensuing fiscal year, including amounts of income from all sources, which sources include, but are not limited to, the proceeds of the bonds, notes or other obligations to be issued, as well as interest earned. In addition, the financial plan must contain proposed amounts to be appropriated and expended, as well as the amounts for which the Department [of Transportation] anticipates to obligate during the ensuing fiscal year for any future expenditure."

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 2006 and the expected results for Fiscal Year 2007

Summary of Operations (FY 1985-2007)

Description	Actual 1985-2006	Estimated 2007	Actual & Est Thru 2007
Authority Obligations (Uses)			
Program Appropriations	15,598,750	1,600,000	17,198,750
Debt Service	4,653,482	598,559	5,252,041
Authority Expenses	11,509	966	12,475
Total Authority Obligations	20,263,741	2,199,525	22,463,266
Authority Funding Sources			
Revenue Appropriations	8,922,395	895,000	9,817,395
Interest Earnings	446,343	42,564	488,907
Bond Premiums	143,160	0	143,160
Net Bond Proceeds	9,656,686	0	9,656,686
Total Authority Funding	19,168,584	937,564	20,106,148
Balance Unfunded	1,095,157	1,261,961	2,357,118

(Dollar Amount in Thousands)

The \$2.3 billion “balance unfunded” calculation 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 \$2.3 billion calculation reflects the project appropriations since 1985 that have not been fully expended.

III. Debt Issuances

A. Debt Issuances - Fiscal Year 2008's \$1.6 Billion Capital Program

The Governor's budget for Fiscal Year 2008 provides \$1.6 billion of appropriation authority for NJDOT/NJ TRANSIT's Fiscal Year 2008 capital program. In addition to cash outlays from that proposed program that will occur in Fiscal Year 2008, 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 each 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 approximately \$1.2 billion in new money bonds for Fiscal Year 2008. 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 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 2008 is provided below:

Fiscal Year 2008: Statement of Anticipated Changes in Cash Position

Description	Subtotal	Total
Estimated July 1, 2007 Cash Balance		260,430,372
Receipts:		
State Appropriations:		
Motor Fuels Tax	483,000,000	
Petroleum Products Tax	200,000,000	
Sales Tax	200,000,000	
Toll Road Contributions	12,000,000	
		895,000,000
Interest Income		31,000,000
Bond Proceeds		1,180,000,000
Total Receipts		2,106,000,000
Disbursements:		
State Transportation Project Costs	1,356,800,000	
TTF Debt Service	607,200,000	
NJT COPs Debt Service	112,000,000	
Authority Operating Expenses		966,700
Total Disbursements	2,076,966,700	
Estimated July 1, 2008 Balance		289,463,672

The additional \$1.2 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 of 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 \$.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 (R.S. 54:15B-1 et seq.), 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, 2000, and amended effective December 7, 2006.

C. Credit Ratings

The 2006 Series C bonds of the NJTTFA which were uninsured received ratings of: "A+" by Fitch Investors Service, "A1" by Moody's Investors Service, and "AA-" 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. Fiscal Year 2008 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	Subtotal	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	NA	
FY 2010	NA	
FY 2011	NA	
Total		10,800,000,000
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 (Est)	131,555,000	
2006 Series C	1,115,496,792	
2007 Series A	1,184,400,000	
2008 Series A	NA	
2009 Series A	NA	
2010 Series A	NA	
Total		9,673,031,792
Less Appropriations Exceeding \$895 Million		
FY 2007	0	
FY 2008	0	
FY 2009	NA	
FY 2010	NA	
FY 2011	NA	
Total		0
FY 2008 Unused Debt Limit		1,126,968,208

IV. Fiscal Year 2008 Operating Budget

The NJTTFA estimates the following operating expenses will be required to manage the financing operations of the NJTTFA during Fiscal Year 2008 assuming there will be one bond sale. The operating budget is funded from the Legislative appropriations to the NJTTFA:

Anticipated Operating Expenses

Description	Amount
Legal Notices	1,000
Professional Accounting Services	25,000
Trustee Service Fees	50,000
Variable Rate Bond Fees (Note 1)	883,200
Contingency	7,500
Total	966,700

Note 1: This cost is based on estimates of annual costs, as follows:

Auction Agent	.00006 x 345,000,000	20,700
Broker/Dealer	.0025 x 345,000,000	<u>862,500</u>
		883,200

Fiscal Year 2008 Anticipated Bond Issuance Costs

The Authority plans to issue new money bonds to support Fiscal Year 2008 project expenditures. The anticipated bond issuance costs for the 2008 Series A New Money Bonds is estimated to be \$6.15million for underwriting expenses, \$5.25 million for rate insurance, 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.