

New Jersey Transportation Trust Fund Authority Fiscal Year 2016 Financial Plan

Plan for Financing Anticipated NJDOT/NJT Capital Program Outlays for Fiscal Year 2016



**NEW JERSEY
TRANSPORTATION
TRUST FUND**

*Prepared by the
Transportation Trust Fund Authority*

Adopted March 18, 2015

Chris Christie, Governor
Kim Guadagno, Lt. Governor

Jamie Fox, Commissioner

I. Introduction

TTFA 2016 Financial Plan

The New Jersey Transportation Trust Fund Authority (“NJTTFA”, or “Authority”) finances 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 the State’s Local Aid transportation program. The New Jersey Trust Fund Authority Act, N.J.S.A. 27: 1B-1 et seq. (the “TTFA Act”) requires the NJTTFA to adopt a Financial Plan which 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 therefor. 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.” [N.J.S.A. 27:1B-22d]

In the recent past, the NJTTFA has funded its programs through annual State appropriations secured by revenues from the Motor Fuels Tax, Petroleum Gross Receipts Tax, Sales and Use Tax, toll road contributions, investment earnings, and the incurrence of debt.

The NJTTFA’s Fiscal Year 2016 Financial Plan reflects recommendations contained in the Fiscal Year 2016 Governor’s Budget Message as well as changes implemented in the 2012 amendments to the TTFA Act, L. 2012, c.13, effective June 29, 2012 (“2012 Amendments”). The most prominent of the Act’s amendments was the authorization of a new type of financing instrument entitled “Transportation Program Bonds”, the debt service for which is payable solely from revenues dedicated pursuant to the New Jersey Constitution, Article VIII, Section II, paragraph 4 (hereinafter the “Transportation Program Bonds”).

II. Prior Years' Results

The following table summarizes the results of the NJTTFA's operations for fiscal years 1985 through 2014 and the expected results for fiscal year 2015:

SUMMARY OF OPERATIONS (FY 1985-2015)			
(DOLLAR AMOUNT IN THOUSANDS)			
<u>DESCRIPTION</u>	<u>1985-2014 ACTUAL</u>	<u>2015 ESTIMATED</u>	<u>THRU 2015 ACTUAL & EST.</u>
Authority Sources:			
Revenue Appropriations	\$ 16,449,537	\$ 1,260,043	\$ 17,709,580
NJ Turnpike (New Contract)	66,000	-	66,000
Build America Bond Interest Subsidy	154,802	35,934	190,736
Interest Earnings	522,410	326	522,736
<u>Net Bond Proceeds</u>	<u>19,270,932</u>	<u>1,118,543</u>	<u>20,389,475</u>
Total Authority Sources	\$ 36,463,681	\$ 2,414,846	\$ 38,878,527
Authority Uses:			
Program Appropriations	\$ 27,341,100	\$ 1,225,000	\$ 28,566,100
Debt Service (TTF) *	11,089,428	1,136,455	12,225,883
<u>Authority Expenses</u>	<u>24,330</u>	<u>3,349</u>	<u>27,679</u>
Total Authority Uses	\$ 38,454,858	\$ 2,364,804	\$ 40,819,662
Net Balance	\$ (1,991,177)	\$ 50,042	\$ (1,941,135)
* 1985 - 2014 Actual data includes payments related to TTF financial swaps, all of which were terminated in December, 2011.			

As a measure of the NJTTFA's total operation, the estimated negative \$1.9 billion "net balance" calculation for fiscal years 1985 through 2015 in the chart above recognizes that the NJTTFA only issues bonds to meet cash flow obligations, not the full value of capital program appropriations. The "program appropriations" calculation reflects the obligation authority that the Legislature provided to NJDOT/NJ Transit for Transportation Trust Fund ("TTF") 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. This is particularly true of large road and bridge construction projects. The NJTTFA only issues bonds for cash outlays that are anticipated in the current year. As a summary of operations, the net calculation of negative \$1.9 billion reflects all spending authority (i.e., inception to date) less the total resources that have been provided or generated by the NJTTFA through June 30, 2015.

III. New Jersey Capital Transportation Plan

In early January, 2011, Governor Christie released a five-year New Jersey Capital Transportation Plan (the "Plan") to improve the State's transportation infrastructure. The Plan provided annual TTF project authorizations ranging from \$1.224 billion to \$1.247 billion from fiscal year 2012 through fiscal year 2016 (i.e., \$6.2 billion in total). When combined with \$1.8 billion of funding authorization from the Port Authority of New York and New Jersey ("PANYNJ" or "Port Authority") for the Pulaski Skyway, Route 7/Wittpenn Bridge, and New Road/Portway projects in the Port District, the total Plan authorized approximately \$8 billion of work over the five-year period.

In fiscal year 2016, the \$1.6 billion Transportation Capital Program is comprised of \$1.25 billion from the TTF and \$353 million from the PANYNJ. (See Section IV. - A for details on the funding strategy for fiscal year 2016.)

NEW JERSEY CAPITAL TRANSPORTATION PLAN	
(\$ MILLIONS)	
<u>Sources:</u>	
	<u>FY 16</u>
Total TTFA	\$ 1,247.0
<u>Port Authority Projects</u>	<u>\$ 353.0</u>
Total Sources	\$ 1,600.0
<u>Uses:</u>	
	<u>FY 16</u>
DOT	\$ 469.9
NJ Transit	\$ 503.5
<u>Local Aid</u>	<u>\$ 273.6</u>
Total TTFA	\$ 1,247.0
<u>Port Authority</u>	<u>353.0</u>
Total Uses	\$ 1,600.0

As summarized in the chart below, the FY2016 Governor’s Budget Message recommends an appropriation to the TTF of \$1,195.9 million, which represents a decrease of \$64.1 million (5%) from the amount appropriated in FY2015 Appropriations Act (\$1,260 million). The entire decrease is reflected in the allocation from the State Sales and Use Tax. (The amount provided from the Petroleum Products Gross Receipts Tax and the annual statutory contribution from the toll road authorities remain the same at \$215 million and \$12 million, respectively.) Importantly, an estimated \$83.7 million of the FY2015 appropriation to the TTFA is projected to carry forward into fiscal year 2016 to supplement the resources available in that year. This amount includes \$47.8 million in savings from lower-than-anticipated debt service attributable to favorable market conditions for the new bond issuance in the fall of 2014 and \$35.9 million from Build America Bond interest subsidies provided by the federal government. When combined with the planned appropriation of \$1.19 billion, a total of \$1.28 billion will be available to fully pay debt service costs anticipated in fiscal year 2016.

TTF APPROPRIATION			
(\$ MILLIONS)			
	FY 15	FY 16	
	<u>Approp.</u>	<u>Approp.</u>	<u>Change</u>
Motor Fuels Tax	\$ 516.0	\$ 516.0	\$ -
Petroleum Gross Receipts	215.0	215.0	\$ -
Sales & Use Tax	517.0	452.9	\$ (64.1)
Toll Road Authorities	12.0	12.0	-
TOTAL TTF APPROP.	\$ 1,260.0	\$ 1,195.9	\$ (64.1)

The Port Authority portion of the Plan, which specifically supports the Pulaski Skyway, Wittpenn Bridge, and New Road facilities that feed the Lincoln and Holland Tunnels, will be supported by PANYNJ revenues that will not be deposited into the TTF. An interagency agreement between NJDOT and the Port Authority, originally signed in July, 2011, formally recognized the Port Authority’s commitment in an amount not to exceed \$1.8 billion. It also stipulated that NJDOT would be reimbursed on a quarterly basis and established an auditing and fraud prevention component involving the Office of the Inspector General for both agencies. A revised agreement signed in May, 2012, provided NJDOT with sole responsibility for the design, procurement, acquisition of real property, and construction of the affected projects. Fiscal year 2016 represents the final year of the Port Authority’s funding commitment.

As to the overall programmatic allocation of funds, NJDOT will receive a total of \$1,096.5 million, including \$469.9 million for State highways, \$353 million from the PANYNJ, and \$273.6 million for Local Aid. NJ Transit’s allotment will total \$503.5 million.

The FY 2016 Governor's Budget Message continues to reflect language items that are required to implement the Governor's Plan, including authorization of the revenue dedications from the General Fund, appropriation of the contributions from the NJTA and the Port Authority, and establishment of the TTF's total project authorization.

IV. Debt Issuances

A. Debt Issuances - Fiscal Year 2016's Capital Program

As outlined in the Fiscal Year 2016 Governor's Budget Message, the proposed New Jersey Capital Transportation Plan for fiscal year 2016 totals \$1.6 billion, including \$1,247 million from the Transportation Trust Fund and \$353 million from the PANYNJ for the aforementioned Port Authority-funded projects.

To support the cash expenses anticipated in fiscal year 2016, the NJTTFA expects to issue \$626.8 million of new money Transportation Program Bonds, as provided under the 2012 Amendments. Resources also include a projected cash carry forward from fiscal year 2015 of approximately \$280.8 million within the Transportation Trust Fund and a federal Build America Bond interest subsidy of \$35.9 million. In total, these resources amount to \$943.5 million. Cash expenditures for State transportation projects are projected at \$1.13 billion. That amount will be partially offset by NJ Transit's planned repayment of \$241.5 million in temporary cash advances that were originally provided in fiscal year 2015 to offset the delayed receipts of federal funds from the Federal Transit Administration. The NJTTFA is expected to end fiscal year 2016 with a slight surplus.

A summary of the NJTTFA's projected cash flows for fiscal year 2016 is provided in the chart shown below.

FY 16: STATEMENT OF ANTICIPATED CHANGES IN CASH POSITION		
(\$ Whole)		
Description	Sub-Total	Total
Estimated July 1, 2015 Cash Balance		\$ 280,800,000
Receipts:		
State Appropriations:		
Motor Fuels Tax	516,000,000	
Petroleum Products Tax	215,000,000	
Sales and Use Tax	452,928,000	
FY15 New Bond Issuance: Debt Service Savings	47,788,000	
FY15 Build America Bond Subsidy - Carryforward	35,934,000	
Toll Road Authorities Contributions	<u>12,000,000</u>	
Net Total		1,279,650,000
Pay-As-You-Go		-
Interest Income		350,000
Bond Proceeds		626,800,000
Build America Bonds Interest Subsidy		<u>35,934,451</u>
Total Receipts		\$ 1,942,734,451
Disbursements:		
State Transportation Project Costs		1,127,500,000
NJ Transit FY15 Loan Repayment		(241,500,000)
TTF Debt Service		1,203,750,000
NJT COPs and EDA/SJLR Debt Service		75,900,000
Authority Operating Expenses		<u>151,000</u>
Total Disbursements		\$ 2,165,801,000
Estimated July 1, 2016 Cash Balance		\$ 57,733,451

The 2012 Amendments specify that debt service on the newly authorized Transportation Program Bonds is to be paid solely from revenues dedicated pursuant to the New Jersey Constitution, including Article VIII, Section II, Paragraph 4 and deposited into the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds. The 2012 Amendments further provide that the State Treasurer, to the extent appropriated by the State Legislature, shall credit to such subaccount a portion of the revenues derived from an amount equivalent to revenue derived from the Motor Fuels Tax (\$.105 per gallon) in each fiscal year, an amount equivalent to the

revenues derived from the tax imposed on the sale of petroleum products but not less than \$200 million in each fiscal year, and an amount equivalent to the revenues derived from the tax imposed under the Sales and Use Tax Act but not less than \$200 million for each fiscal year. All of these revenues are subject to annual appropriation by the Legislature.

The Transportation Program Bonds will be issued as “state contract” debt backed by the Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds, dated as of December 4, 2012, among the State Treasurer, the Commissioner of the New Jersey Department of Transportation (the “Commissioner”), and the Authority. This contract pledges that the aforementioned constitutionally-dedicated revenues appropriated by the Legislature will be made available to the Authority for debt service payments on its Transportation Program Bonds.

The Transportation System Bonds, which were issued up to and through fiscal year 2013, continue to be secured by the Third Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation System Bonds, dated as of December 4, 2012, among the State Treasurer, the Commissioner, and the Authority. That contract pledges that any dedicated NJTTFA revenues appropriated by the Legislature to the payment of such bonds will be made available to the Authority for debt service payments.

B. Constitutional Dedication

Pursuant to Article VIII, Section II, 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 from those revenues; 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 from those revenues. (Note: 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 NJTTFA debt is currently rated “A-” by Fitch Investors Service, “A2” by Moody’s Investors Service, and “A-” 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 Transportation System Bonds and Transportation Program Bonds have been and continue to be well received by the financial markets.

D. Fiscal Year 2016 Statutory Debt Limit

The statutory debt issuance limitations for the Transportation System Bonds were last set by L. 2006, c.3 (the "2006 Amendments"). Presently, there is no remaining unused statutory debt cap under the TTFA Act, as amended by L. 2006, c.3, for the Transportation System Bonds (except for a nominal amount). Accordingly, only Transportation System Bonds that will be used to refund other outstanding Transportation System Bonds may be issued under the TTFA Act. These restrictions apply only to the Authority's Transportation System Bonds.

The 2012 Amendments to the TTFA Act (section N.J.S.A. 27:1B-9(i)) established the following new statutory debt limitations for the Transportation Program Bonds:

The authority shall not issue transportation program bonds in excess of \$1,247,000,000 for the fiscal year beginning July 1, 2012, in excess of \$849,200,000 for the fiscal year beginning July 1, 2013, in excess of \$735,300,000 for the fiscal year beginning July 1, 2014, and in excess of \$626,800,000 for the fiscal year beginning July 1, 2015, except that (1) if that permitted amount of transportation program bonds, or any portion thereof, is not incurred in a fiscal year, it may be issued in a subsequent fiscal year and (2) 30 percent of the permitted amount of transportation program bonds for a fiscal year may be issued in the fiscal year preceding such fiscal year provided that (a) any transportation program bonds issued pursuant to this paragraph shall be deducted from the authorization for the fiscal year from which it was taken, and (b) the proceeds of any such transportation program bond shall not be encumbered until the fiscal year from which the deduction of the authorization was taken pursuant to this paragraph. Transportation program bonds authorized to be issued for the fiscal year beginning July 1, 2012 may be issued prior to July 1, 2012. Any increase in this limitation shall only occur if so provided for by law. In computing the foregoing limitation as to the amount of bonds the authority may issue, the authority may exclude any bonds, notes or other obligations, including subordinated obligations of the authority, issued for refunding purposes. The payment of debt service on transportation program bonds and any agreements issued in connection with such transportation program bonds shall be paid solely from revenues dedicated pursuant to the New Jersey Constitution, including Article VIII, Section II, paragraph 4, and deposited into the "Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds." [P.L. 2012, c. 13, section 3.]

As noted earlier, the 2012 Amendments provided bonding authority of \$626.8 million of Transportation Program Bonds for the transportation program for fiscal year 2016.

TRANSPORTATION TRUST FUND AUTHORITY	
STATUTORY DEBT LIMIT	
(\$ Whole)	
Fiscal Year Bonding Credits:	
FY 1996-2006	\$7,600,000,000
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	1,600,000,000	
FY 2012		- 0 -
FY 2013	1,247,000,000	
FY 2014	849,200,000	
FY 2015	735,300,000	
<u>FY 2016</u>	626,800,000	
Total		\$19,058,300,000
Less Authority Bond Issuances:		
1996 Series A - 2005 Series C	\$6,291,885,000	
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	142,730,924	
2009 Series B	273,500,000	
2009 Series C	150,000,000	
2009 Series D	147,500,000	
2010 Series A	359,253,361	
2010 Series B	500,000,000	
2010 Series C	1,000,000,000	
2011 Series A	600,000,000	
2011 Series B	1,315,000,000	
2012 Series A and AA	1,247,000,000	

2013 Series AA	849,200,000	
2014 Series AA	764,055,000	
2014 Series BB	297,500,000	
2015 Series A (Proposed)	626,800,000	
-		
Total		\$19,058,295,715
FY 2016 Unused Debt Limit		\$4,285

E. Official Intent for Federal Income Tax Purposes

For the purpose of permitting the proceeds of NJTTFA bonds 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 section IV(A) above, in the expected maximum principal amount of \$626.8 million, to pay or reimburse expenditures made prior to the date of issuance of such bonds for the costs of the capital program of NJDOT and NJ Transit for fiscal year 2016 and prior fiscal years.

V. Fiscal Year 2016 Operating Budget

The NJTTFA estimates the following operating expenses will be required to manage the financing operations of the NJTTFA during fiscal year 2016. The operating budget, which does not include costs of issuance relating to bond issuances, is funded from the Legislative appropriations to the NJTTFA:

ANTICIPATED OPERATING EXPENSES	
(\$ Whole)	
Description	Estimate
Legal Notices	\$ 1,000
Professional Services	75,000
Trustee Service Fees	25,000
Contingency	50,000
Total	\$ 151,000

**Fiscal Year 2016
Anticipated Bond Issuance Costs**

The Authority plans to issue new money bonds to support fiscal year 2016 project expenditures. At the planned \$626.8 million bonding level, the anticipated bond issuance costs for new money bonds is estimated to be \$3.1 million for underwriting expenses and \$850,000 for other costs of issuance such as rating fees, printing fees, financial advisor fees, trustee's fees, bond counsel fees, and trustee counsel fees.